The irreconcilable differences between the interpretations of the Lanham Act's trade dress non-functionality requirement by the courts below reflect the widening split among the circuits on the "aesthetic functionality" doctrine. The division among the circuits on the evidentiary impact of intentional copying is nearly as broad. The question of the evidentiary weight of retailer source confusion on the secondary meaning determination is an important one that should be settled by this Court. This Court must immediately resolve these questions to give competitors and courts clear and uniform guidance as to what can and cannot be copied from established competitors' products and packaging, and as to the related evidentiary issues arising from this growing field of commerce. Although the petitioner here is a relatively small business, the resolution of the questions presented will have widespread and salutary ramifications both here and abroad by fixing the proper balance under the Lanham Act between the rights of established competitors and those of simulators.

OPINIONS BELOW

The opinion of the Court of Appeals (App. 1a-13a) is unreported. The orders of the district court on post-trial motions (App. 14a-48a) and on respondents' motion for summary judgment (App. 49a-71a) are unreported. The order of the Court of Appeals denying rehearing and rehearing en banc (App. 72a-73a) is unreported.

JURISDICTION

The Court of Appeals' judgment was entered on March 8, 2005. A timely petition for rehearing was denied on June 3, 2005. (App. 73a). By order of the late Chief Justice, Honorable William H. Rehnquist, dated August 26, 2005, petitioner's time to file this petition was extended from September 1, 2005, to September 3, 2005. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

RELEVANT STATUTORY PROVISIONS

Section 43 of the Lanham Act, 15 U.S.C. § 1125, provides, in pertinent part, as follows:

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which -

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person,

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

* * *

(3) In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

STATEMENT

A. THE FIRST PIPE STAND

DFG is a manufacturing company that makes Christmas tree stands and other seasonal products. Its primary owners are Jim Boucher, its CEO, and Rhonda Boucher, its CFO. (AP04096; 4612). Jim Boucher built his first pipe stand in his garage in 1988 after struggling to put up the family Christmas tree using a "bowl-style" stand. (AP04101-03). The "pipe stand," made with a piece of standard 5" pipe and scrap steel, worked so well that the Bouchers quit their jobs and started a business. They chose the name "Decorations for Generations" because they planned to build products of such high quality that they would not last just a lifetime, but would be passed down for generations. (AP04103-07). In January of 1990, Boucher prepared his own design patent application (using a utility patent form) for the basic pipe stand design with nearly none of the aspects of the Composite Dress DFG would later develop. (AP04112-16; 6391-6400).

B. DEVELOPMENT OF DFG'S COMPOSITE DRESS

When they decided to commercialize the pipe stand, the Bouchers began designing what would become DFG's unique Composite Dress. First, they developed a custom shade of green which their supplier dubbed "Decorations Green." (AP04105-06). A representative of an international powder coating company testified that he knew of only one company in the world that offered that shade as a stock color. (AP04913-20; 6275E-75J; 4141-44; *compare* 4304).

Next, in 1991, the Bouchers added a larger stand with unique dimensions, including a 7" pipe size that had to be custom milled. (AP04188; 4146-47). In 1991, the Bouchers also crowned the stand with a half-inch red plastic ring to "make it stand out," and to give it a more "finished appearance." (AP04235; 4147; 4646-47).

In 1993, at the suggestion of several retailers, the Bouchers designed a white, open-topped notched display box to "upgrade

[their] product so it stood out." (AP04148-51; 4297-300; 5196). With the addition of the display box, DFG's Composite Dress was complete. At the time of their introduction, no competitor had a stand, color, contrasting ring, or display box anything like DFG's. (AP04103; 4151; 4304; *compare* AP04163-74). A color photo of DFG's Composite Dress is attached at App. 74a.

C. DECORATIONS FOR GENERATIONS' BUSINESS

By the mid-1990s, DFG had established a pattern of nationwide sales of well over 50,000 units annually. DFG's stands were sold in all 50 states, by dozens of national and regional chains, and hundreds of local retailers. (AP04621-32; 6348N-48Q; 6218-19; 6349-69; 4814). DFG started selling the 7" stand to Home Depot's West Coast region in 1992. Over the next four years, DFG's sales expanded to Home Depot's Northwest, Midwest, and Mid-South regions, and rose to 21,504 orders for 1998. (AP04180-87; 4630-32; 6348M; 6215; 4773-74). Home Depot's own employees testified that DFG's stand was an extraordinarily successful product that received only praise from customers. (AP04753-54; 4772-75; 5101).

DFG demanded the highest quality in its manufacturing process. (AP04118-21; 4838). Boucher told his employees that they were building the "Mercedes-Benz" of Christmas tree stands, and DFG had no tolerance for defects. (AP04827; 4137-39). As a result, DFG enjoyed an extraordinary reputation for quality and customer satisfaction, with fewer than 15-20 returns out of more than 50,000 stands sold annually. (AP04139; 4773-74; 4894-95; 4815-16; 4818; 4184; 4753-54; 5101).

The Bouchers believed the best advertisement for DFG's stands was their annual appearance in hundreds of thousands of homes and businesses, and their sale year after year at thousands of quality retail outlets. (AP04273). Beginning in the mid-1990s, DFG also began having its stands displayed in 20-25 home furnishings catalogs, including those of prominent national retailers Hammacher Schlemmer and Frontgate. (AP04820-21; 6276-77; 6309-10). DFG participated in advertising programs with retailers Ace Hardware, TrueServ,

and Long's. (AP04160-61; 6341; 4894). The stand received unsolicited endorsements in 1993, when it was featured in the *The Kentucky Star-Journal,* in 1995, on NBC's Today Show, and more recently in the *Modesto Bee.* (AP06302-03; 4162-63; 6304-05; 6311).

DFG also invested hundreds of thousands of dollars in marketing *directly to retailers*, including sending "tens of thousands" of color brochures to retail buyers, attending several trade shows annually, and using inside and outside sales representatives throughout the country to visit retailers and exhibit DFG's stands. (AP04158; 4131-40; 4814-21; 4835-38; 4876; 4902-05; 4260-61; 4885-86).

D. THE MARKET FOR ALTERNATE PIPE STANDS

Although DFG was an innovator, there has long been a competitive marketplace of visually distinctive but functionally equivalent pipe stands. By 1993, Bowling offered the red three-legged 6" and 8" steel pipe stands described in a ranking of stands in *The Kentucky Star-Journal.* (AP06302-03; 4454-55). Boucher testified that since a pipe stand's functionality is determined by weight and leg length, Bowling's longer-legged 8" pipe stand functioned as well as DFG's. (AP04164-65; AP04113-14). The *Star-Journal* article agreed; both earned "10's" for functionality. (AP06302-3).

In the mid-1990s, Lakewood introduced an 8.75" octagonal pipe-style stand. It was sold in a closed branded box with its own holiday-themed decorations, shown at App. 75a. *Both* Lakewood's owner and Boucher testified that the Lakewood pipe stand functioned *better* than DFG's since it had the same functional design but was heavier and wider. (AP04165-67; 5439-40; 6518).

In the mid 1990s, Gunnard/Kelko introduced 6", 8", and 10" red pipe stands, sold in closed branded boxes, shown at App. 76a. Lewis introduced a green 7" pipe stand shown at App. 77a with a distinctive buttress and ring design. It was sold in a branded open-topped white box with black lettering and a unique holiday motif, but was sold only in

insignificant numbers before 1999.[1] (AP04803:22-04:12; 5025:9-26:13).

E. RESPONDENTS' PIPE STAND

Home Depot has "import product development merchants" based at its headquarters in Atlanta. The import merchant for seasonal goods (Department 28) in 1999 was James Richardson. (AP04661-69; 4788-89; 4560). He attended the Home Depot regional buyers' regular "product review" meetings to find out about goods Home Depot already sold successfully. (AP04662-63; 4783-89). He also had access to "a vast amount of information" within Home Depot for such goods, including sales records. (AP04563).

In the spring of 1999, Richardson called a representative of MA and IBC named James Lu and asked him to come to his office in Atlanta to "look at some items." When Lu arrived, Richardson gave him one of DFG's 7" stands in its display box and said he'd "like a price on it." (AP04480-87; 6314-15). Lu then shipped DFG's stand and its display box to MA in China. *Id.* With Home Depot's guidance and approval, MA had a pipe stand built and tested in June. The picture of the stand in the test report shown at App. 78a shows that the stand tested was either the DFG stand that Lu had shipped to MA, or an *indistinguishable* copy.[2] (*Id.*; AP06316A-16D).

1 In their briefs and at oral argument below, respondents made much of the Lewis Tools' pipe stand since, unlike other competitors, it shared a number of features with DFG's. However, as the district court explained, Lewis' *Composite Dress* was highly distinctive. App. 22a. Further, since Lewis' President testified that he was aware of DFG's stand when he designed Lewis' trade dress and that the "bulk" of Lewis' sales had been to Home Depot, the jury could conclude that the similarities in trade dress resulted from Lewis' own recognition of the commercial value of DFG's Composite Dress. (AP05023-26; 4803-4).

2 After 1999, respondents added two versions of a curl on the legs and made other aesthetic modifications. The only testimony respondents offered as to why these changes were made was "just to enhance the product's appearance." (AP04680-81; 4805-6). In any event, such later modifications are irrelevant to the determination of secondary meaning in 1999 when respondents' copying began.

The 1999 mechanical drawings at App. 80a show that the stands shipped were practically identical to DFG's except that an angled piece of metal was placed between the legs and the pipe, apparently due to concern about DFG's design patent. (AP04536-37; 6316; 6333A). The 1999 stands were packaged in open-topped notched white display boxes with a holly berry motif, the same packaging that was used the following year with the 2000 version of respondents' stand, shown at App. 79a. Respondents' stand was assigned SKU#471-065, the same number Home Depot had used for DFG's stand since 1992. (AP04507; 4628-30). By assigning the same SKU number, Home Depot ensured that both stands would be sold side-by-side for the same price under the same price card. (AP04804-6). The substantial majority of respondents' stands were sold in regions where DFG's had been sold in the past. (AP04946-47).

Home Depot's own inspection reports show that respondents' stands were imported for four years with thousands of defects, both major and minor, including exposed rust, poor painting, bent and rusted screws, impurities and foreign objects in the paint, wobbling bases, and many others. (AP04720-38; 6348R-48Y; 6001-210; 4685). Home Depot's Return to Vendor Report ("RTV") for the 1999 stand shows that—as anticipated—these defects led to many customer returns: 30 were returned out of only 5740 stands sold that first year, compared to DFG's 15 out of over 50,000. (AP04694-95; 4806; 6338).

Neither Richardson nor anyone else representing Home Depot testified that they copied DFG's trade dress because they considered it to be functional or otherwise open to simulation. Richardson instead continually claimed to have "no recollection" whatsoever of any of the events at issue in this case.[3] (AP04548-51; 4660-62; 4554-60). Indeed, none of the respondents offered any testimony at all about their reasons for selecting and simulating DFG's trade dress, or their reasons for designing

3 The district court commented on respondents' witnesses' "sometimes arrogant and unhelpful testimony and demeanor. . . ." App. 23a, n. 3.

similar packaging without a brand, or for selling the two stands interchangeably for the same price. *(Id.*; *compare* 4065 *with* 4462-63).

F. RETAILER SOURCE CONFUSION

Home Depot's own West Coast buyer testified that when he first saw respondents' stand he thought "it looked a lot like" DFG's. (AP04793-95). He did not say anything at the time, however, because he "left it to the people in Atlanta to do their job," meaning that it was for them to determine if there was "any type of infringement." *Id.* Two other industry professionals testified that when they first saw respondents' stand being sold next to DFG's at a Home Depot store, they thought it came from DFG. Joseph O'Toole, an outside representative for seasonal products who sold DFG's stand in Michigan, asked Boucher: "When did you come out with the new stand?" Rudy Garcia, one of DFG's inside salespeople, called Boucher to ask if he had come out with a new model. (AP04906-07; 4911-12; 4841-42).

The Bouchers testified to conversations with two other Home Depot employees who were confused about the source of respondents' stand. (AP04637-46). When the Bouchers called Home Depot stores in 2000 to try to sell additional DFG stands, Rhonda Boucher noted a manager's response: "Has two. They look a lot alike." (AP04641-45; AP04203-04; AP06709). She took this to mean that the manager believed he "had two" stands from DFG. Home Depot did not call this manager to testify otherwise. Similarly, when the Bouchers first saw respondents' stand stacked next to DFG's at a Home Depot, they asked the salesperson on duty which stand was selling better. He said both had the same SKU number, so he believed both were from the same company. (AP04645-46; 4205-08).

G. TRIAL AND JURY INSTRUCTIONS

DFG filed suit for design patent infringement based on the basic design of DFG's pipe stand, and for trade dress infringement based on the *overall visual impression* of DFG's

stand alone or in combination with its packaging.[4] (AP05560-62). The district court dismissed the patent claim on motion for summary judgment because it determined that the basic pipe stand design was functional. App. 49a-66a. The district court denied summary judgment of the trade dress claim, however, because respondents did not establish that the "particular integration and arrangement of the various elements comprising the overall look of the packaged . . . stand grants [DFG] a utilitarian advantage or leaves competitors with an insufficient range of alternative design options." App. 67a-69a.

During trial, DFG repeatedly stressed that competitors could and did make visually distinctive but functionally equivalent pipe stands. For example, in DFG's opening statement, DFG showed the jury several competing stands to demonstrate that DFG was

> not contending that it's the only company that can make a green stand [but only] that somebody who wants to compete fairly has a world of shades, has a world of styles, has a world of packaging designs, and certainly has an unlimited number of trade names they can choose if what they want to do is associate their product with their company.

(AP04041:15-21; *see also* AP05229:1[illegible]; AP04026:9-17; 4039:1-41:22; 4163:25-71:5; 5439:23-40:4; 5228:3-32:24; 5251:8-52:6; 5275:18-76:5; 5327:3-19).

The district court used the Ninth Circuit model jury instructions which repeatedly draw the distinction between protectable non-functional trade dress and non-protectable functional features. Instructions 13, 14, 15, and 16, which were drawn from NCMCJI 18.2, 18.5, and 18.10, made plain that only non-functional trade dress that had acquired secondary meaning was protectable, and that the law prohibits only the use of protectable dress. (AP05560-65). Respondents relied in part on *Aromatique, Inc. v. Gold*

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4 The basis for federal court jurisdiction in the court of first instance was 28 U.S.C. § 1338.

Seal, Inc., 28 F.3d 863, 873 (8th Cir. 1994), for their theory that features or combinations of features that evinced a seasonal association were functional and could be freely copied. In response, the district court modified NCMCJI 18.10, with respondents' consent, to include the following formulation of the aesthetic functionality doctrine: "Trade dress aspects that are purely aesthetic or ornamental cannot be said to be functional unless the specific configuration of aesthetic elements is essential to competition." (AP05562; *see* 5162-63).

Respondents also asked for a specific instruction stating that they had the right to deliberately copy functional features. Although Judge Levi commented that deliberate copying was logically probative of secondary meaning whether what was copied was functional or not, he attempted to satisfy respondents by adding the word "protectable" to the language of NCMCJI 18.9 to state that only intentional copying of *protectable* trade dress was significant to the secondary meaning analysis. Respondents' counsel asked that the word "protectable" be added wherever the Instructions mentioned copying, and the district court obliged. (AP05180-85).

The jury found for DFG on its Lanham Act § 43(a) and common law unfair competition counts. In response to a specific interrogatory, the jury found that respondents "intentionally used the plaintiff's trade dress for the purpose of deception or causing consumer confusion." (AP00045). The jury awarded damages, profits, and punitive damages. (AP00044-46).

H. THE DISTRICT COURT'S DECISION

The district court denied respondents' motion for JMOL, but reduced the compensatory and punitive damages awards. App. 28a-34a. The district court's thirty-five page opinion devoted eleven pages to analyses of the functionality and secondary meaning issues in this case. *Id.* at 15a-25a. The district court considered four factors in reviewing the jury's factual finding that DFG's Composite Dress was non-functional: "(1) whether the trade dress has a utilitarian advantage; (2) availability of alternate designs; (3) advertising utilitarian

advantage in the design; and (4) the design's method of manufacture." *Id.* at 15a. The court held that evidence supported three of these factors and was sufficient in total to support the jury's finding.

First, the district court confirmed that although DFG's Composite Dress contained some functional features, the overall combination of product and packaging features did not create a utilitarian advantage:

> While many elements of the stand and packaging are functional, the jury could have found that the *overall combination of these elements* is not utilitarian or that certain features have a functional and nonfunctional aspect. For example, the exact shade of red and green used for the stand, the plastic rim in a contrasting red or green color, and the packaging of the product in a white open-top box decorated with red and green Christmas motifs do not give DFG a utilitarian advantage, particularly when *considered in combination.*

Id. at 16a (emphasis added). The district court's opinion also confirmed that alternate designs which created a "different overall look" were available and were in fact used by DFG's competitors "without sacrificing a competitive advantage." *Id.* at 17a. According to the court, "the existence of these other pipe-type stands shows that a functionally equivalent stand could have been created with enough different details to avoid infringement of the trade dress in the overall look." *Id.* Finally, while the opinion notes that the "basic elements of the stand" were likely dictated by its method of manufacture, the court ruled that it did not dictate several elements of the respondents' trade dress, including "the width of the contrasting plastic red band, the length of the legs, the height of the holder . . . , the exact shades of colors used . . . , the use of a white box with red and green trim or other aspects of the [respondents'] packaging, including the absence of a brand name." *Id.* at 18a. The district court concluded that "[s]ufficient evidence was presented at trial

to support the jury's finding that the plaintiff's trade dress, including the packaging, is non-functional, and thus protectable." *Id.*

The district court listed six balancing factors to be weighed in reviewing the jury's factual finding of secondary meaning: "(1) purchaser perception; (2) degree and manner of advertising; (3) demonstrated utility of trade dress in increasing sales of product; (4) length of time and exclusivity of use; (5) intentional copying by defendants; [and] (6) evidence of actual confusion." *Id.* at 21a. Although the district court believed that DFG "had presented little or no evidence" on the first three balancing factors, it concluded that the evidence submitted on the latter three factors was sufficient to support the jury's finding on this question of fact. *Id.*

The district court confirmed that the evidence submitted on the "length of time and exclusivity of use" factor supported the jury's verdict. DFG had used the same overall trade dress since 1993, with only minor modifications in the print and symbols used on the packaging. The court also confirmed that the other pipe stands on the market had a different overall look, such that DFG's use was exclusive. *Id.* at 21a-23a.

Relying on Ninth Circuit authority that "in appropriate circumstances, deliberate copying may suffice to support an inference of secondary meaning . . . ," the district court found that there was "considerable evidence" on this "important factor." *Id.* at 23a-24a, *citing Fuddruckers v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 844 (9th Cir. 1986). In reaching this conclusion, the district court distinguished between copying functional aspects of the stand and copying non-functional elements of DFG's trade dress:

> It was lawful for defendants to copy certain of the features of the [DFG] stand. *They could offer their own heavy duty pipe stand.* However, *defendants also copied non-functional elements of plaintiff's trade dress*, and the potential for confusion caused by this similarity was exacerbated by defendants'

> failure to label the stand or its packaging with a brand name. The jury could have inferred that there was no reason for defendants to make their product and packaging so similar to plaintiff's, without a prominent brand name, other than an intent to capitalize on [DFG's] secondary meaning.

Id. at 23a (emphasis added).

Finally, the district court found that the jury could infer from DFG's evidence of actual source confusion by Home Depot and DFG employees and associates that consumers were also confused, and that this supported the jury's secondary meaning determination. *Id.* at 24a-25a.

I. THE FEDERAL CIRCUIT'S DECISION

The Court of Appeals confirmed the district court's conclusion that evidence of the length of time and exclusivity of DFG's use of its trade dress supported the jury's finding of secondary meaning. App. at 9a-10a.

The Court of Appeals did not question the sufficiency of the evidence to support the jury's specific finding that the defendants deliberately copied DFG's trade dress for the purpose of deception or causing consumer confusion. The court stated without analysis, however, "that the copied elements of DFG's tree stand that were identified as being non-functional by the district court (i.e. the colors, the plastic rim, and the display box) were, in fact, utilitarian in nature." *Id.* at 11a. Such copying was not probative of secondary meaning, in the Court of Appeals' view, because "it is the copying of non-functional elements of a product's design that can yield an inference of secondary meaning. . . ." *Id.*[5]

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5. The Court of Appeals also stated that there was no evidence that the particular features copied had acquired secondary meaning, but this conclusion obviously depends on the court's other holdings that the evidence identified by the district court could not support this conclusion. *Id.* at 11a-12a.

Finally, the Court of Appeals did not question the district court's conclusion that there was substantial evidence of actual confusion by Home Depot employees and other retailers, but held that such evidence was not probative of secondary meaning because it believed retailers were not members of the "relevant buying public." *Id.* at 12a-13a.

REASONS FOR GRANTING PETITION

The growth of both domestic and overseas simulation of established products, and the litigation it engenders, demand immediate and uniform nationwide resolution of the questions presented here, and clear direction to the courts and to competitors on the boundaries limiting manufacturers' ability to attract consumers through simulation of their competitors' products and packaging. This case presents the Court with the perfect teaching vehicle for doing this: DFG's Composite Dress is simple and includes all of the elements that might be considered "functional" under 15 U.S.C. § 1125(a)(c), ranging outward from the core basic pipe stand design, to the decorative aspects and embellishments of the stand itself and, finally, to the general and specific features of the product's packaging.

The questions presented are of substantial national importance since their resolution will determine the extent to which domestic manufacturers can protect their goodwill from appropriation by competitors who manufacture at lower costs abroad. These issues are in turn important to the domestic labor market and balance of trade since their resolution effects the incentive to invest in establishing a reputation for quality and customer satisfaction, and indeed whether to manufacture in the United States at all.

The second and third questions presented are of particular importance to smaller manufacturers such as DFG that can prove substantial, continuous, and exclusive use of their trade dress for significant periods of time, but cannot afford the consumer surveys and national advertising campaigns that larger companies rely upon to establish secondary meaning. If manufacturers such as DFG cannot prove secondary meaning

with strong circumstantial evidence such as deliberate copying and actual source confusion by those who know the market best, then the protections Congress sought to provide in the Lanham Act will be of no practical help to those who need them most.

These issues are also important to consumers nationwide since "Big Box" national retailers engage extensively in simulation and overseas manufacturing, and sell to consumers who may be misled by the practices sanctioned by the Federal Circuit in this case. Even though the Court of Appeals' opinion is not reported, it teaches the Nation's second largest retailer that it may freely copy the overall appearance of products it knows have established goodwill so long as it can label each individual feature copied "functional," defining "functional" to mean merely "attractive to consumers."

Finally, by granting certiorari and considering these issues, the Court will confirm that the commercial rights of the small are respected even when the assertion of those rights challenges the mighty. This is no small thing.

I. THE CIRCUITS ARE DIVIDED AS TO THE EXISTENCE AND MEANING OF "AESTHETIC FUNCTIONALITY" IN THE TRADE DRESS CONTEXT

In overturning the jury verdict and the district court's decision, the Court of Appeals held that the copied aesthetic elements of DFG's product and packaging were functional as a matter of law, stating, "[w]e find that the copied elements of DFG's tree stand that were identified as being non-functional by the district court (i.e. the colors, the plastic rim, and the display box) were, in fact, utilitarian in nature." App. at 11a. The court offered no explanation for its holding or legal citation on which it was based. By finding that aesthetic features such as custom coloring, a decorative ring, and ornamental display packaging were functional as a matter of law without considering the availability of alternative designs or the effect of protecting DFG's trade dress on competition, the Federal Circuit's decision squarely raises the aesthetic functionality issue.

Trade dress protection may not be claimed for matter that is functional. *See* 15 U.S.C. § 1125(a)(3); *see also TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 29 (2001). A product feature is functional, and therefore not subject to trademark protection, "'if it is essential to the use or purpose of the article or if it affects the cost or quality of the article,' that is, if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage.'" *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 165 (1995) (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 (1982)). Whereas trademark law protects consumers and producers from those seeking to mislead consumers by trading on producers' goodwill, the intent of the functionality doctrine is to prevent producers from inhibiting legitimate competition. *See Qualitex*, 514 U.S. at 164.

"Aesthetic functionality" is a legal theory under which a product feature that has no operational or utilitarian function can nonetheless be deemed functional if it is "aesthetically pleasing." *See Qualitex*, 514 U.S. at 169. When aesthetic functionality was first conceived, the authors of the *Restatement of Torts* set forth as paradigmatic examples: (1) a candy box in the shape of a heart; and (2) a distinctive type face. *See* 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* ("McCarthy") § 7:79 (4th ed. 2004) (quoting *Restatement of Torts* § 742, comment a (1938)).

Aesthetic functionality was rarely mentioned until a 1952 Ninth Circuit case, *Pagliero v. Wallace China Co.*, 198 F.2d 339, 343 (9th Cir. 1952) (which the Ninth Circuit no longer follows). *See generally* 1 McCarthy §§ 7:79-7:80 (stating that *Pagliero* sets forth the "classic . . . definition of aesthetic functionality" but has been largely abandoned). Under the *Pagliero* test, a feature is "functional" if it "is an important ingredient in the commercial success of the product." *Pagliero*, 198 F.2d at 343. After *Pagliero*, the doctrine fell largely back

into obscurity. *See* 1 McCarthy § 7:79. In recent years, however, the aesthetic functionality concept has resurfaced in opinions of this Court, and adopted, in varying forms by some, but not all, circuit courts.

In *Qualitex*, this Court discussed the aesthetic functionality doctrine in connection with the argument that colors could not be registered as a trademark since doing so would deplete the colors available to competitors. The Court concluded that this was not a reason for a blanket ban on registration, however, because application of the ordinary rules of functionality "in a careful and reasoned manner, with sensitivity to the effect on competition . . ." would protect competitors' interests. *See Qualitex*, 514 U.S. at 170 (citing *Restatement (Third) of Unfair Competition* § 17, Comment c, pp. 175-176 (1995) (*stating that* the "ultimate test of aesthetic functionality . . . is whether the recognition of trademark rights would significantly hinder competition.")). The aesthetic functionality doctrine was also discussed in *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000) for the proposition that, under *Qualitex*, a design feature's functionality, or lack thereof, "may involve consideration of its esthetic appeal." 529 U.S. at 214.

When resolving a circuit split over whether a product feature claimed in a utility patent could be protected as trade dress, this Court, without deciding the issue, suggested that even in the absence of a utility patent, an inquiry could nonetheless be made into a "'significant non-reputation-related disadvantage' in cases of aesthetic functionality." *TrafFix*, 532 U.S. at 33. But the Court has, to date, not settled whether or not the doctrine of aesthetic functionality, in itself, is viable; and if it is, how the courts (and the business community) could evaluate with some degree of certainty what sorts of products or packaging features would fall within the ambit of the doctrine.

As discussed more fully below, there currently exists a divisive circuit split, with the Third, Fifth, and Ninth Circuits rejecting the concept of aesthetic functionality altogether, the Eighth Circuit possibly embracing the *Pagliero* holding, the

Second, Sixth, Seventh, and Tenth Circuits offering their own versions of the doctrine, and the Eleventh Circuit, in *dictum*, approving the *TrafFix* "significant non-reputation-related disadvantage" test without articulating how this disadvantage would be analyzed. This cross-spectrum split, and the uncertainty arising from it, deprives established producers of the ability to protect their investments in goodwill, and similarly deprives those who seek to challenge them the guidance needed to do so within the bounds of the law. The combination of the absence of uniform standards and the growth of competition through product and packaging simulation has resulted and will continue to result in extensive and lengthy litigation with uncertain results. Therefore, an immediate and crucial need exists for resolution of the issue by this Court.

The Ninth Circuit no longer follows *Pagliero* and rejects outright the doctrine of "aesthetic functionality," stating, "Nor has this circuit adopted the 'aesthetic functionality' theory, that is, the notion that a purely aesthetic feature can be functional." *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1260 (9th Cir. 2001). Leaving no doubt in its position, the Ninth Circuit added, "[T]rade dress cannot be both 'functional and purely aesthetic.' Such a formulation is internally inconsistent and at odds with the commonly accepted view that functionality denotes utility." *Id.*

The Second Circuit, on the other hand, while rejecting the definition of "aesthetic functionality" set forth in *Pagliero*, promulgated its own definition: that a feature is aesthetically functional where it is an "ornamental feature" that, if protected as a trademark, "would significantly hinder competition by limiting the range of adequate alternative designs." *Wallace Int'l Silversmiths v. Godinger Silver Art Co.*, 916 F.2d 76, 79 n.1 (2d Cir. 1990). While stating that *Wallace* had been abrogated in part by this Court's holding in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992), the Second Circuit nonetheless adhered to the Wallace formulation for determining aesthetic functionality in *Knitwaves, Inc. v. Lollytogs Ltd.*, 71 F.3d 996,

1006 (2d Cir. 1995) (finding fashion designs on sweaters not aesthetically functional because competitors would not be shut out of the market if they were denied use of the particular designs, but denying trade dress protection because the designs reflected no relationship to the source).

The Third Circuit has expressly rejected the doctrine of aesthetic functionality. *See American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1142 (3d Cir. 1986) (ruling that a feature must "have a significant relation to the utilitarian function of the product before it [can] be declared functional"). In another case, the Third Circuit criticized aesthetic functionality as producing an absurd result, reasoning that under the doctrine, the uglier the design of a product, the less functional and thus better protected it would be. *See Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 825 (3d Cir. 1981). It cannot be good policy, according to the court, to encourage the creation of ugly designs and discourage the creation of more pleasing designs. *See id.* Although Professor McCarthy has suggested that the Third Circuit has flirted with "aesthetic functionality" while opining on utilitarian functionality, he does not suggest this occurred after 1986 or that the Third Circuit overtly or covertly adopted the doctrine. *See* 1 McCarthy § 7:80 (citing *Standard Terry Mills, Inc. v. Shen Mfg. Co.*, 803 F.2d 778 (3d Cir. 1986) (in which a standard checkered pattern on a kitchen towel was determined to be functional)).

The Fifth Circuit has simply rejected the doctrine. *See Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 540 n.6 (5th Cir. 1998) ("This circuit has rejected the doctrine of aesthetic functionality."). It has, however, acknowledged the *TrafFix* test for functionality. *See Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH*, 289 F.3d 351, 365 (5th Cir. 2002).

The Seventh Circuit has recognized the spectrum of positions taken in attempting to differentiate between aesthetic and utilitarian functionality, and defined the functional aspects of trade dress (whether aesthetic or utilitarian) as those "elements of a product's appearance that either are not associated with a

particular producer or that have value to consumers that is independent of identification." *Publications Int'l, Ltd. v. Landoll, Inc.*, 164 F.3d 337, 339 (7th Cir. 1998). In so holding, Judge Posner used the analogy of a shapely champagne bottle that a proud host displays to dinner guests: "If a consumer derives value from a product's appearance apart from source-identification, that aesthetic feature cannot be appropriated under trademark law." *Id.* Judge Posner acknowledged, however, that "critics who argue that in application the concept is mischievously vague certainly have a point." *Id.* (citing 1 McCarthy §§ 7:80-7:81). JMG

The Sixth Circuit had historically rejected the aesthetic functionality doctrine. *See, e.g., Ferrari S.P.A. Esercizio Fabriche Automobili E Corse v. Roberts*, 944 F.2d 1235, 1247 (6th Cir. 1991) (refusing to apply the doctrine of aesthetic functionality and holding that the doctrine does not preclude a finding of nonfunctionality when the design also indicates source). The Circuit has revisited the issue, however, and relying on this Court's decisions in *TrafFix* and *Qualitex*, found the doctrine applicable. *See Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc.*, 280 F.3d 619, 641 (6th Cir. 2002) (holding that asserted trade dress in a style of clothing was unprotectable as aesthetically functional).

In doing so, however, the Sixth Circuit rejected Judge Posner's "identity" test as overly inclusive, asserting that a feature claimed as trade dress is bound to have value apart from identification. According to the Sixth Circuit, consumers select products in part because they are pleasing; thus, a definition of functionality that includes all features having value independent of identification effectively eliminates trademark protection for any design feature. *See Abercrombie & Fitch Stores*, 280 F.3d at 641.

Instead, the court focused on the effect that trademark protection of aesthetic features would have on competitors. The court articulated two such tests. The first asks whether tradedress protection would leave competitors a variety of comparable

alternative features that they may use to compete; if not, the claimed dress is functional and unprotectable. The second asks whether trade dress protection for a product's feature would hinder the ability of another manufacturer to compete effectively in the market. If such a hindrance is likely, then the claimed dress is functional and unprotectable. *See id.* at 641; *see also Antioch Co. v. Western Trimming Corp.*, 347 F.3d 150, 155-56 (6th Cir. 2003) (reaffirming the Sixth Circuit's approval of the "competitive disadvantage" test).

The Eighth Circuit arguably still embraces the original test for aesthetic functionality, that is, an aesthetic feature may be deemed functional if it is an important ingredient in the commercial success of the product. *See Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 873 (8th Cir. 1994) (finding functional the trade dress of potpourri packaging consisting of pillow-shaped cellophane bags closed by a cord). More recently, however, in *dictum* and without directly addressing aesthetic functionality, the Eighth Circuit stated that the *Aromatique* holding expressed too narrow a view of what features could be protected under the Lanham Act and that under *Qualitex*, a significant non-reputation-related disadvantage must be shown. *See Home Builders Ass'n v. L&L Exhibition Mgmt.*, 226 F.3d 944, 948 n. 1 (8th Cir. 2000).

In 1987, the Tenth Circuit endorsed, in *dictum*, what Professor McCarthy describes as "a very truncated version of the 'aesthetic functionality' theory," stating: "Because a function of certain products is aesthetic appeal, a feature intrinsic to the aesthetic appeal of those products may not be entitled to trademark protection." *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 519 (10th Cir. 1987); 1 McCarthy § 7:80. The Tenth Circuit has not, however, applied the doctrine.

The Eleventh Circuit, in a case with a narrow set of facts, implicitly adopted the doctrine of aesthetic functionality when holding that colors of ice cream could not be protected as trade dress because, among other things, the colors, such as brown for chocolate and pink for strawberry, serve "aesthetic

functions." *Dippin' Dots, Inc. v. Frosty Bites Distrib., LLC*, 363 F.3d 1197, 1203-04 (11th Cir. 2004). Citing *TrafFix* and *Qualitex*, the Eleventh Circuit found that the colors satisfied the traditional test of functionality because other producers of flash-frozen ice cream would require those colors of ice cream to compete in the marketplace. *See id.* at 1203 (citing *TrafFix*, 532 U.S. at 32, and *Qualitex*, 514 U.S. at 165). The court added, however, "the color, shape, and size of dippin' dots are "aesthetic functions" that easily satisfy the competitive necessity test because precluding competitors like FBD from copying any of these aspects of dippin' dots would eliminate all competitors in the flash-frozen ice cream market. . . ." *Id.* at 1204 n. 7 (citing *TrafFix*, 532 U.S. at 32-33).

Finally, at least prior to the decision in this case, the Federal Circuit expressly stated that this Court's recent trade dress decisions had not changed the law established in Judge Rich's famous exposition of functionality in *Morton-Norwich Products, Inc. v. S.C. Johnson & Son, Inc.*, 531 F.2d 561 (C.C.P.A. 1976), which requires consideration of competitive alternatives unless the matter is utilitarian in the engineering sense. *See Valu Engineering, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1275-6 (Fed Cir. 2002) (Dyk, J.) (The "effect upon competition is really the crux of the functionality inquiry.").

As the above discussion and extensive scholarly writings demonstrate, the federal circuits are sharply divided over whether to recognize the doctrine of aesthetic functionality and, if so, how to formulate the doctrine.[6] A decision by this Court

6. *See, e.g.*, Levin, Trade Dress Protection § 17.11, and authorities cited therein ("There is a considerable split of authority among the federal circuits as to the issues of aesthetic functionality, utilitarian functionality, . . . and various other issues relating to functionality."); 1 McCarthy § 7:80 (stating that the courts of appeals are widely split in a manner that defies easy categorization); see also Melisa R. Gleiberman, Note, From Fast Cars to Fast Food: Overbroad Protection of Product Trade Dress Under Section 43(a) of the Lanham Act, 45 Stan. L. Rev. 2037, 2046-47 (1993) (observing that standards for articulating aesthetic (Cont'd)

articulating workable standards for aesthetic functionality would provide the guidance necessary for producers, importers, distributors, and indeed, copiers and those employing them, to assess where the lines are drawn between permissible and impermissible copying. Of crucial importance, it would allow producers to predict with the requisite comfort, how best to preserve, within the scope of the law, their hard-earned goodwill.

II. THE CIRCUITS ARE DIVIDED AS TO THE RELEVANCE AND WEIGHT TO BE GIVEN EVIDENCE OF INTENTIONAL COPYING OF A COMPETITOR'S TRADE DRESS IN THE SECONDARY MEANING DETERMINATION

Circuits differ widely as to the relevance of evidence of intentional copying as proof of secondary meaning, and as to the weight which may be afforded such evidence. In the Ninth Circuit, proof of intentional copying of trade dress is sufficient to establish secondary meaning under proper circumstances. *See Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 615 (9th Cir. 1989). The majority of other circuits hold that intentional copying is probative, but not necessarily determinative, of secondary meaning. *See* 2 McCarthy § 15:38; Levin, *supra* §§ 13:14, 14:7 (2003) (noting that intentional copying suggests that even the alleged infringer believes the dress has consumer recognition). Though a majority adheres to this rule generally, there are significant variations in its application that render the law in this area nearly useless as a guide in predicting results and shaping behavior.

(Cont'd)

functionality vary among the circuits, and within the circuits, as individual opinions often contain conflicting language). Sheldon W. Halpern, A High Likelihood of Confusion: WAL-MART, TrafFix, Moseley, and Dastar—The Supreme Court's New Trademark Jurisprudence 61 N.Y.U. Ann. Surv. Am. L. 237 (2005) ("In the broadest terms, we know what the Court said; we think we know what the Court was trying to do globally; but in the specifics of implementing these opinions, we cannot be at all sure about what to do.")

In the Fourth Circuit, evidence of intentional copying triggers a presumption of secondary meaning and shifts the burden of proof to the defendant to establish an innocent reason for copying. *See Larsen v. Terk Techs. Corp.* 151 F.3d 140, 148 (4th Cir. 1998) (holding that plaintiff established prima facie case of secondary meaning by demonstrating intentional copying and that the absence of rebuttal evidence dictated judgment for plaintiff). At the opposite extreme, some circuits require more than mere evidence of intentional copying; a plaintiff must also show that the imitation was done with intent to confuse customers as to the source of the product. *See, e.g., JMG Thomas & Betts Corp. v. Panduit Corp.*, 65 F.3d 654, 663 (7th Cir. 1995) ("Copying is only evidence of secondary meaning if the defendant's intent in copying is to confuse consumers and pass off his product as the plaintiff's.")

The Third Circuit considers the functionality of the intentionally copied feature when analyzing secondary meaning. If the copied feature is functional, the copier may wish to capitalize on the feature's usefulness rather than the manufacturer's good name. *See, e.g., Duraco Prods., Inc. v. Joy Plastic Enters., Ltd.*, 40 F.3d 1431, 1453 (3d Cir. 1994) ("[A]ttempts to copy a product configuration will quite often not be probative [regarding secondary meaning]: the copier may very well be exploiting a particularly desirable feature, rather than seeking to confuse consumers as to the source of the product."). The Ninth Circuit takes the opposite tack, holding that functionality should play no role whatsoever in the secondary-meaning analysis. *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252 (9th Cir. 2001) ("Whether a feature is functional has no direct bearing on whether it plays a source-identifying role. The functionality analysis should not be conflated with the inquiry into whether 'the purchasing public associates the dress with a particular source.'") (quoting *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 843 (9th Cir. 1987)).

Relying on the Ninth Circuit's clear and unambiguous instructions to the lower courts, DFG submitted extensive evidence of respondents' intentional copying, as well as of their intent to confuse consumers. The Federal Circuit exacerbated the existing split among the circuits by deeming such evidence irrelevant to the determination of secondary meaning, at least where the individual features copied were "functional" under the Federal Circuit's conception. This Court should resolve the conflict among the circuits by establishing whether such evidence is relevant and, if it is, whether its force is affected by the functionality of the features copied and the presence or absence of evidence that the copier intended to confuse consumers.

III. THIS COURT SHOULD SETTLE THE IMPORTANT QUESTION OF FEDERAL LAW OF THE WEIGHT WHICH MAY BE AFFORDED TO RETAILER SOURCE CONFUSION AS CIRCUMSTANTIAL EVIDENCE OF SECONDARY MEANING

The circuits are in accord that actual confusion among the relevant purchasing public is an indication that a mark has achieved secondary meaning, since recognition of source is a logical predicate to confusion about source. *See* 2 McCarthy § 15:11. Furthermore, there is little dispute that evidence of *retailer* confusion is circumstantial evidence of *consumer* confusion. *See, e.g., Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha,* 754 F.2d 591, 597 (5th Cir. 1985) (industry professional confusion relevant to actual consumer confusion); *Champions Golf Club, Inc. v. Champions Golf Club*, 78 F.3d 1111, 1199 (6th Cir. 1996) (confusion of manufacturers and suppliers relevant to actual confusion); *Union Carbide, Inc. v. Ever-Ready, Inc.*, 531 F.2d 366, 384 (7th Cir. 1976) ("Assuming the clerk was confused, this gives rise to an inference that purchasers would also be confused because salespersons are more likely than customers to be familiar with various marks on the merchandise they sell and hence are less likely to be confused."); *Carnival Brand Seafood Co. v. Carnival Brands,*

Inc., 187 F.3d 1307, 1314 (11th Cir. 1999) (holding that confusion at pre-end consumer stages was relevant to confusion analysis). The logic supporting this inference is that retailers are considered less likely to be confused than consumers, *so* confusion among them is strong evidence of consumer confusion.

As the district court, the Ninth Circuit, and scholars have reasoned, the logic underlying the inference of consumer confusion from retailer confusion applies to support an inference of secondary meaning from retailer confusion as well. *See, e.g.*, *Telecom, Inc. v. Japan Telecom America, Inc.*, 287 F.3d 866, 874 (9th Cir. 2002) (confusion of vendor and newspaper admissible and thus relevant, but insufficient under the facts therein); *see also American Scientific Chem., Inc. v. American Hosp. Supp. Corp.*, 690 F.2d 791, 793 (9th Cir. 1982) (crediting confusion by customers, suppliers, and others).[7]

Here, the Federal Circuit acknowledged that actual confusion supports a finding of secondary meaning, but held that evidence of actual confusion by retailers, including Home Depot's own employees, was entirely irrelevant to the determination of secondary meaning among the "relevant buyer class."[8] App. 12a.

The question of the weight of retailer source confusion as circumstantial evidence of secondary meaning is an important one because claimants seeking to assert rights afforded under

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7. *See,generally*, 2 McCarthy § 15:11 (Secondary meaning and likelihood of confusion "will be difficult to distinguish in viewing the evidence. That is, if buyers are confused, then this also means that they must have recognized plaintiff's word as a trademark and associated it only with plaintiff. If this is not so, how could there be any confusion? . . . If there is some customer confusion in fact, then it follows that there must be some secondary meaning.").

8. To the extent that the Federal Circuit has now interpreted Ninth Circuit law otherwise, this would place the Ninth Circuit in conflict with the views of the other circuits, and provide an additional basis for certorari.

the Lanham Act cannot, as a practical matter, do so if avenues of proof of secondary meaning by means other than surveys and advertising campaigns are foreclosed. Courts and commentators have often noted that proof of secondary meaning through surveys is expensive and often leads to conflicting and unsatisfactory results. *See, e.g., American Scientific Chem., Inc.*, 690 F.2d at 793 (evidence of actual confusion is "ordinarily difficult to produce," and consumer surveys can be "prohibitively expensive."); *Clicks Billiards*, 251 F.3d at 1262 (noting that surveys are "often subject to criticisms and varying interpretations. . . ."); 2 McCarthy § 15:30 (Secondary meaning "can be, and most often is, proven by circumstantial evidence.").

The Court should therefore settle this important question to ensure that Congress' intent to protect manufacturers' investments in establishing goodwill is not thwarted by the judicial promulgation of standards of proof that place such protections out of the reach of those who need them most. The Court should also resolve what amounts to a circuit split in the making on this issue resulting from the Federal Circuit's pronouncement of an absolute rule that retailer confusion is irrelevant to the determination of secondary meaning, contrary to Ninth Circuit precedent.

Moreover, "if the relevant buyer class consists of both retailers and ultimate consumers, then the state of mind of the dealers is obviously important." 2 McCarthy § 15:46. Here, there was extensive evidence that DFG marketed heavily directly to retailers through brochures, trade shows, and both inside and outside sales representatives. Thus, testimony by retailers was not only circumstantial evidence of consumer recognition, it was direct evidence of retailer recognition—and retailers are an important class of consumers for the goods at issue. In particular, the testimony of Home Depot's West Coast Buyer admitting his concern about "infringement" when he saw the respondents' stand was powerful evidence that the stand's appearance was so strongly associated with DFG that copying it seemed like a tresspass. (AP04793-95).

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DECIDED MARCH 8, 2005

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

04-1072, -1073, -1091

DECORATIONS FOR GENERATIONS, INC.,

Plaintiff-Cross Appellant,

v.

HOME DEPOT USA, INC.,

Defendant-Appellant,

and

INTERNATIONAL BUSINESS CORPORATION and MUTUAL ALLIED, LTD.,

Defendants-Appellants,

and

Mark LU,

Defendant.

DECIDED: March 8, 2005

Before LOURIE, *Circuit Judge*, ARCHER, *Senior Circuit Judge*, and PROST, *Circuit Judge*.

Appendix A

PROST, *Circuit Judge*.

The appellants, Home Depot USA, Inc. (Home Depot), International Business Corporation (IBC) and Mutual Allied, Ltd. (MA), appeal the District Court for the Eastern District of California's denial of their motion for judgment notwithstanding the verdict. *Decorations for Generations, Inc. v. Home Depot USA, Inc.*, No. CIV-S-01-0284 DFL PAN (E.D.Cal. Sept. 22, 2003) (District Court Opinion). Because the jury's verdict finding that the appellants infringed the trade dress of the appellee, Decorations for Generations, Inc. (DFG), was not supported by substantial evidence, we *reverse* the district court's denial of judgment notwithstanding the verdict.

BACKGROUND

Since 1990, DFG has manufactured a steel Christmas tree stand. DFG chief executive officer James Boucher designed the stand in 1988 out of scrap steel parts that he had in his garage. As designed by Boucher and sold by DFG, the stand is comprised of a one-foot steel pipe (intended to contain the tree base), a six-inch square piate of flat steel (that serves as a base), and four legs protruding from the corners of the base and made of 24-inch long steel bars. The stand also includes four screws that are meant to secure the tree by fitting into apertures that are evenly spaced around the steel pipe component. In order to evoke Christmas colors, DFG's stand was colored green and red, with the base and body of the stand colored green and the rim of the stand covered by a red plastic covering.

Appendix A

In 1990, Mr. Boucher applied for a design patent for his Christmas tree stand. In November of 1992, he was granted U.S. Design Patent No. Des. 330,875 based on that application.

DFG began selling Mr. Boucher's stand during the holiday season of 1989. In 1993, after receiving outside suggestions, it began selling the stand in an open-topped white box. Since the modification of the display box, the DFG stand has sold in the same configuration.

In 1999, Home Depot designed a heavy-duty Christmas tree stand whose design was roughly similar to DFG's stand. Home Depot had arranged through IBC to have the stand manufactured by MA in China. When Home Depot later discovered that DFG's stand was covered by a design patent, it developed another design for its tree stand in order to avoid infringing the DFG patent.[1]

In February of 2001, DFG sued Home Depot, MA and IBC for infringement of its design patent, trade dress infringement under the Lanham Act and unfair competition under common law and California statute. In September 2002, at the summary judgment stage of litigation, the district court granted summary judgment to the appellants on DFG's patent infringement claim.[2] In May of 2003, a jury trial on DFG's trade dress and unfair competition claims was held.

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1. Between 1993 and 1999, several other manufacturers made and sol d Christmas stands that were similar to the DFG stand. Those manufacturers are not parties to this action.

2. DFG is not appealing the district court's grant of summary judgment on the design patent claim in this appeal.

Appendix A

Before the jury returned its verdict, the defendants submitted motions for judgment as a matter of law (JMOL) to the district court. The district court declined to consider the defendants' motions in light of the jury's impending verdict. After the jury returned its verdict finding for DFG on its trade dress and unfair competition claims and awarded lost profits, compensatory damages and punitive damages to DFG, the defendants moved for judgment notwithstanding the verdict. The district court sustained the jury verdicts on trade dress infringement and unfair competition but reduced the jury's compensatory and punitive damages verdicts.

The defendants timely appealed the district court's denial of their motion for judgment notwithstanding the verdict. MA and IBC also appeal the district court's unfair competition verdict.[3] DFG cross-appeals the district court's reduction of the jury's punitive damage award against Home Depot as well as its determination that pre-judgment interest is not available for Lanham Act violations.[4] Because the district court's jurisdiction was based in part on 28 U.S.C. § 1338, we have jurisdiction to hear this appeal under 28 U.S.C. § 1295(a)(1).

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3. As the district court noted, the unfair competition claim asserted against MA and IBC is predicated on a violation of the Lanham Act. Since we find that there was no Lanham Act violation in this case, the unfair competition claim in this case becomes moot.

4. Because we reverse the jury's trade dress verdict, we deny DFG's cross-appeals as moot.

Appendix A

DISCUSSION

A. Standard of Review and Choice of Law

For procedural issues not unique to patent law, we apply the standard of review of the circuit from which the case originates. *Sjolund v. Musland*, 847 F.2d 1573, 1576 (Fed.Cir.1988). In the United States Court of Appeals for the Ninth Circuit, a jury verdict and a denial of a motion for judgment notwithstanding the verdict are reviewed for substantial evidence. *Leatherman Tool Group, Inc. v. Cooper Indus., Inc.*, 199 F.3d 1009, 1011 (9th Cir.1999).

For substantive issues not related to patent law, we also apply the law of the Ninth Circuit. *See e.g., Nobelpharma AB v. Implant Innovations*, 141 F.3d 1059, 1067 (Fed.Cir.1998). Because the issues on appeal concern trade dress law, the Ninth Circuit's precedent controls for the purposes of this appeal. *See Keystone Retaining Wall Sys., Inc. v. Westrock, Inc.*, 997 F.2d 1444, 1447-48 (Fed.Cir.1993) (applying the law of the Ninth Circuit in evaluating a trade dress infringement claim).

B. The General Law of Trade Dress

As a concept, trade dress is closely related but not identical to trademark. Like trademark, trade dress derives its legal protection from § 43(a) of the Lanham Act. But unlike trademark, trade dress is intended to protect product packaging or design that has come to be associated by consumers with a specific manufacturer or producer. For example, while a two-dimensional symbol or drawing may be considered a trademark, three-dimensional product designs

or packaging may, under the right circumstances, be considered trade dress.

The first inquiry in determining whether a product's design can be protected as trade dress under § 43(a) of the Lanham Act is into the functional aspects of the design, with the parties asserting Lanham Act trade dress claims having to first "establish the nonfunctionality of the design feature." *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 214, 120 S.Ct. 1339, 146 L.Ed.2d 182 (2000). Nonfunctionality is required because the buying public "should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves." *Id.* at 213, 120 S.Ct. 1339. Furthermore, because functional aspects of a product's design may gain protection in the form of a patent, trade dress is an inappropriate vehicle through which to protect them. As the Supreme Court observed:

> The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, 35 U.S.C. §§ 154, 173, after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to

whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity).

Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 164-65, 115 S.Ct. 1300, 131 L.Ed.2d 248 (1995).

The second inquiry in determining whether trade dress protection is available to a product's design is whether or not the product design has achieved secondary meaning in the minds of consumers. *Samara Bros.*, 529 U.S. at 216, 120 S.Ct. 1339. Secondary meaning exists when "in the minds of the public, the primary significance of [the product design] is to identify the source of the product rather than the product itself." *Id.* at 211, 120 S.Ct. 1339 (quoting *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n. 11, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982)). Put another way, "A plaintiff's trade dress acquires secondary meaning when the purchasing public associates the dress with a particular source." *Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 615 (9th Cir.1989).

The likelihood of consumer confusion between protected trade dress and allegedly infringing trade dress is only considered once the trade dress in question has been established to be protected trade dress (i.e., it is non-functional and it has achieved secondary meaning in the minds of consumers). In the absence of a product design's non-functionality or secondary meaning, likelihood of consumer confusion is irrelevant because without establishing both non-functionality and secondary meaning a plaintiff asserting a product design trade dress infringement

claim cannot prevail. *See, e.g., Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992) (holding that to establish a claim for trade dress infringement, secondary meaning, non-functionality and likelihood of confusion must all be shown); *Talking Rain Beverage Co. v. S. Beach Beverage Co.*, 349 F.3d 601, 603 (9th Cir.2003) (holding the same).

C. Trade Dress Law in the Ninth Circuit

Our review of the district court's decision turns on the issue of secondary meaning. While the Supreme Court laid out the broad outlines of product design trade dress law in *Samara Bros.*, the Ninth Circuit has further defined the factors to be considered in making secondary meaning determinations. They include: whether actual purchasers associate the plaintiff's trade dress with the plaintiff's products; the degree and manner of the plaintiff's use of the trade dress; whether the use of the trade dress has been exclusive; and proof of copying. *Vision Sports*, 888 F.2d at 615; *see also, Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1358 (9th Cir.1985) (en banc). Other Ninth Circuit precedent identifies actual confusion as an indicator of secondary meaning.[5] *Am. Scientific Chem., Inc. v. Am. Hospital Supply Corp.*, 690 F.2d 791, 793 (9th Cir.1982).

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5. Evidence of actual confusion in the secondary meaning context is not to be mistaken for the independent likelihood of confusion inquiry that a court must undertake before finding trade dress infringement. In its jury instructions, the district court itself underscored this point in issuing different instructions for evidence of actual confusion under the secondary meaning analysis and the likelihood of confusion analysis.

Appendix A

D. DFG's Trade Dress Infringement Claims

The district court identified six factors to be considered in a secondary meaning analysis:

> (1) purchaser perception; (2) degree and manner of advertising; (3) demonstrated utility of trade dress in increasing sales product; (4) length of time and exclusivity of use; (5) intentional copying by defendants; (6) evidence of actual confusion.

District Court Opinion at 8-9.

Regarding the first three secondary meaning factors, the district court found that DFG had offered "little or no evidence" at trial. District Court Opinion at 9. We concur with that conclusion. The district court also found, however, that substantial evidence supported a finding that the presence of the last three factors had been established by DFG. We agree with the district court that the fourth factor was supported by substantial evidence but disagree with its conclusion that the fifth and sixth factors were likewise supported by substantial evidence. We discuss these latter three factors in turn.

1. Length of Time and Exclusivity of Use

The district court determined that the length of time and exclusivity of use factor in a secondary meaning analysis had been supported by substantial evidence at trial. The defendants argue that because the DFG stand was only in

stores five to six weeks a year for only several years, DFG could not satisfy the length of time component of this factor. Furthermore, they assert that because similar stands were being sold in that time period, DFG could not show exclusivity of use at trial.

DFG has been selling its tree stand in roughly the same configuration since the 1993 holiday season. Thus, at the time of suit in 1999, DFG had been selling its tree stand in approximately the same configuration for six years. Even though DFG's stand was on display and on sale for only a limited number of weeks out of each year, as the district court said, "[that] is a sufficient amount of time, year after year, to support a jury finding" on this factor. We concur.

In addition, the district court found that substantial evidence would support a jury's finding of exclusive use for DFG given that the competing stands prominently displayed their brand names and were different in overall appearance from the DFG stand. Though this is a close question, the evidence introduced at trial was substantial enough to support a jury's finding that DFG had exclusive use of its tree stand design.

Thus, we find that there was substantial evidence introduced at trial to support the district court's finding that this factor in the secondary meaning analysis was satisfied.

2. Intentional Copying of Protected Trade Dress

Before the jury rendered its verdict, the district court declined to specifically instruct the jury that copying

functional elements of DFG's tree stand was no trade dress infringement. After the jury's verdict, the district court found only that "[t]here was considerable evidence that defendants intentionally copied [DFG's] protectible [sic] trade dress." District Court Opinion at 12.

Regarding intentional copying, it is the copying of non-functional elements of a product's design that can yield an inference of secondary meaning. Copying functional elements of a competitor's design is not a violation of the Lanham Act. *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 844-45 (9th Cir.1987). We find that the copied elements of DFG's tree stand that were identified as being non-functional by the district court (i.e., the colors, the plastic rim, and the display box) were, in fact, utilitarian in nature. Furthermore, the key issue in any secondary meaning analysis is whether or not the consuming public has come to associate a certain product design with a certain manufacturer—not whether the defendant engaged in any copying whatsoever. As one district court in the Ninth Circuit correctly stated, "A defendant's conduct, whether legitimate or reprehensible, has only a tenuous connection to the perceptions of consumers and should not relieve a plaintiff of its burden of showing that it has successfully imbued its design with secondary meaning." *Continental Lab. Prods., Inc. v. Medax Int'l, Inc.*, 114 F.Supp.2d 992, 1012-13 (S.D.Cal.2000). The only copying relevant to the intentional copying factor in a secondary meaning analysis is the copying of protected trade dress. While there was evidence introduced that supported the conclusion that the defendants had indeed copied utilitarian features of DFG's tree stand, there was no evidence introduced that the defendants intentionally copied protected

trade dress that had been perceived by consumers as originating from a particular manufacturer. Accordingly, we also find that there is no substantial evidence to support a jury finding that the defendants intentionally copied DFG's protected trade dress.

3. Actual Customer Confusion

Finally, on the issue of actual customer confusion, the district court asserted that even though DFG had presented no evidence of confusion on the part of actual consumers, it did present evidence of confusion on the part of Home Depot and DFG employees and associates. The court held that this evidence of confusion could have allowed the jury to infer that actual consumers were also confused. District Court Opinion at 12.

DFG indeed presented no evidence of actual customer confusion at trial. As the district court noted, the only evidence of confusion shown by DFG at trial related to the confusion of Home Depot and DFG employees. It is clear from Ninth Circuit precedent that the key question in determining actual confusion for the purposes of a secondary meaning inquiry is whether consumers or "the relevant buying public" are actually confused. *See Japan Telecom, Inc. v. Japan Telecom Am., Inc.*, 287 F.3d 866, 874 (9th Cir.2002) (confusion on the part of the buying public is the key to an actual confusion inquiry). We are aware of no precedent in the Ninth Circuit that would allow the confusion of "the relevant buying public" to be inferred by testimony from company employees or associates. The evidence presented at trial by DFG only shows that a few Home Depot

and DFG employees and associates may have been confused as to the origins of the tree stands at issue in this case. That evidence is not substantial evidence of actual customer confusion. We therefore disagree with the district court's finding that substantial evidence supported the jury's finding that this factor had been satisfied.

In sum, with regards to our secondary meaning analysis, given that the only factor supported by substantial evidence and established by DFG is the length of time and exclusivity of use of the DFG product design, we find that substantial evidence does not support the finding that the DFG tree stand had established secondary meaning in the minds of consumers.[6]

CONCLUSION

Because the jury's finding that the DFG tree stand design had established secondary meaning in the minds of consumers was not supported by substantial evidence, we reverse the jury's verdict of trade dress infringement. Accordingly, MA and IBC's appeal regarding the jury's unfair competition verdict and DFG's cross-appeals are denied as moot.

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6. Since we conclude that substantial evidence does not support the jury's finding that the DFG tree stand had established secondary meaning in the minds of consumers, we decline to address whether substantial evidence supported the jury's finding that certain aspects of the tree stand are non-functional.

APPENDIX B — MEMORANDUM OF OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF CALIFORNIA DATED SEPTEMBER 19, 2003

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF CALIFORNIA

CIV-S-01-0284 DFL PAN

DECORATIONS FOR GENERATIONS, INC.,

Plaintiff,

v.

HOME DEPOT USA, INC., MUTUAL ALLIED LTD., INTERNATIONAL BUSINESS CORPORATION, and MARK LU,

Defendants.

MEMORANDUM OF OPINION AND ORDER

Plaintiff Decorations for Generations, Inc. ("DGI") brought this action seeking compensatory and punitive damages against defendants Home Depot USA, Inc.("Home Depot"), Mutual Allied Ltd. ("MAL"), and International Business Corporation ("IBC") for alleged infringement of DGI's trade dress. On May 20, 2003, a jury found in favor of DGI and awarded plaintiff: $2,154,000 in compensatory damages, defendants' profits in the amount of $571,000, and $10,850,000 in punitive damages. Defendants and plaintiff

each now make several post-trial motions. Defendants move for a new trial and judgment notwithstanding the verdict. Plaintiff moves for attorneys' fees, and to amend the judgment in several ways. Plaintiff requests that the court find that defendants violated the Unfair Competition Law ("UCL"), Cal. Bus. & Prof. Code §§ 17200 *et seq.*, and issue a permanent injunction under the UCL and the Lanham Act. Plaintiff also asks the court to augment the award of damages and profits and award prejudgment interest.

I. Defendants' Motion for a New Trial

Defendants move for a new trial on several grounds. They assert that the evidence at trial was not sufficient to support the jury's finding of infringement because the evidence did not support findings of non-functionality, acquired distinctiveness, and likelihood of confusion. Defendants also assert that the evidence was insufficient to support the jury's compensatory and punitive damage awards.

A. Non-functionality

Defendants first argue that the evidence presented at trial was insufficient to support a finding of non-functionality. Trade dress is only protectible if it is non-functional. *See Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1258 (9th Cir. 2001). The jury instructions listed four factors the jury should consider in determining whether the asserted trade dress is functional or non-functional. These are: (1) whether the trade dress has a utilitarian advantage; (2) availability of alternate designs; (3) advertising utilitarian advantage in the design; and (4) the design's method of manufacture. (Jury Instr. No. 15.)

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1. *Utilitarian Advantage*: Defendants first argue that all of the elements of the stand and the packaging are designed to give DGI a utilitarian advantage. According to defendants, these utilitarian features include the color of the box, which makes the product "stand out" from other products, and the shape and open design of the box, which are functional in that they enable consumers to see the product in the package. While many elements of the stand and packaging are functional, the jury could have found that the overall combination of these elements is not utilitarian or that certain features have a functional and nonfunctional aspect. For example, the exact shade of red and green used for the stand, the plastic rim in a contrasting red or green color, and the packaging of the product in a white open-top box decorated with red and green Christmas motifs do not give DGI a utilitarian advantage, particularly when considered in combination. Defendants easily could have made their tree stands in different shades of red and green; they could have eliminated the contrasting plastic rim or at least designed it to be different in width or color than plaintiff's; and they could have made the box another color that would stand out from other products in the way plaintiff's white box does. Additionally, the use of a brand name on the product and packaging would not have affected utility and would have helped distinguish defendants' stands from plaintiff's. The absence of any brand name or any obvious branding is perhaps the most significant, telling fact against defendants. Defendants could have made the overall look of their product and packaging distinctive from the DGI stand without sacrificing any utilitarian advantage.

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2. *Availability of alternate designs*: DGI also asserts that the availability of alternate designs shows that competition would not be hindered by only allowing one company to use the particular design or configuration of Santa's Sturdy Stand. The Lewis Lifetime Tools' stand in particular shows that alternate designs are available without sacrificing a competitive advantage. The Lewis stand is labeled with a brand name, unlike the Home Depot stand, and has a distinctive metal circle that connects the legs and forms a base. There are other differences that do not appear to affect functionality but create a different overall look for the product, like the size of the contrasting red band and the type of bolts. In contrast, by comparison to DGI's stand, defendants' stand uses similar bolts, legs of the same width (although the legs are curled), and a contrasting plastic band of the same width as DGI's band. These details all create a similarity of appearance with DGI's stand that is not necessary to functionality. Defendants assert that none of the competing stands is exactly functionally equivalent with DGI's stand, so they are not evidence of the existence of alternate designs. The jury could conclude, however, that the existence of these other pipe-type stands shows that a functionally equivalent stand could have been created with enough different details to avoid infringement of the trade dress in the overall look.

3. *Advertising utilitarian advantage in the design*: Defendants note that "[i]f a seller advertises the utilitarian advantages of a particular feature, this constitutes strong evidence of functionality." *Disc Golf Assoc. v. Champion Discs, Inc.*, 158 F.3d 1002, 1009 (9th Cir. 1998). In all of its advertising plaintiff has highlighted the utilitarian advantages

of its stand. (*See, e.g.*, Pl.'s Trial Exs. 17, 27.) Defendants are correct that this factor does not support a finding of non-functionality, although the other factors are sufficient to support the jury's finding.

4. *Design's method of manufacture*: "A functional benefit may arise if the design achieves economies in manufacture or use," *Disc Golf*, 158 F.3d at 1009, or if "a particular design results from a comparatively simple or cheap method of manufacture." *Clamp Mfg. Co. v. Enco Mfg. Co.*, 870 F.2d 512, 516 (9th Cir. 1989). Plaintiff's stand design is simple and efficient to manufacture because the pipe and steel plate are in standard dimensions (except length), then cut and welded together. However, while this method of manufacture likely dictated the basic elements of the stand, the method of manufacture does not appear to have dictated several elements of the trade dress, like the width of the contrasting plastic red band, the length of the legs, the height of the holder, and the exact shades of colors used. It also did not dictate the use of a white box with red and green trim or other aspects of the defendants' packaging, including the absence of a brand name. The jury could have found that this factor favored the plaintiff, not, the defendants.

Sufficient evidence was presented at trial to support the jury's finding that plaintiff's trade dress, including the packaging, is non-functional, and thus protectible.

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B. Acquired distinctiveness

Defendants next argue that the evidence at trial was insufficient to support the jury's finding of acquired distinctiveness. First, they argue that DGI's trade dress is generic, and so incapable of acquiring distinctiveness. Second they argue that there was no evidence that the trade dress in fact has acquired distinctiveness.

Marks can be categorized in levels of increasing distinctiveness: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768, 112 S.Ct. 2753 (1992). Suggestive ("Tide" laundry detergent), arbitrary ("Camel" cigarettes), and fanciful ("Kodak" film) marks are considered inherently distinctive and are entitled to protection. *Id.*; *Wal-Mart, Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 210, 120 S.Ct. 1339 (2000). Generic marks (those that refer to the genus of which the particular product is a species) are never entitled to protection. *Two Pesos, Inc.*, 505 U.S. 768, 112 S.Ct. at 2757. Marks which are merely descriptive of a product ("Tasty" bread) are not inherently distinctive but can acquire distinctiveness by acquiring secondary meaning. *Id.* at 769, 112 S.Ct. at 2753.

Defendants assert that plaintiff's trade dress is generic and cannot acquire secondary meaning. Defendants primarily cite *Kendall-Jackson Winery, Ltd. v. E&J Gallo Winery*, 150 F.3d 1042, 1049 (9th Cir. 1998), which held that a grape leaf alone as a trademark for a brand of wine had become generic

and could not be protected due to its wide use in the industry.[1] Defendants reason that because the red and green colors and the holly on DGI's packaging suggest Christmas in the same generic way that a grape leaf suggests wine, DGI's trade dress is generic and unprotectible. This would likely be true if the red and green colors and the holly were the only elements of DGI's trade dress.

Although the *Kendall-Jackson* court granted summary judgment on the trademark question, the court let the trade dress issue go to a jury. *Id.* at 1049-50. The jury found no trade dress infringement, but the court noted that Kendall-Jackson had presented enough evidence to support a jury finding that its trade dress was non-functional and distinctive, although the evidence did not compel that conclusion. *Id.* at 1050. Thus, the claimed trade dress was not generic, although it included the generic grape leaf.

Here, DGI's trade dress claim is more analogous to Kendall-Jackson's trade dress claim than it is to the trademark issue in that case. Kendall-Jackson's asserted trade dress included the use of the leaf design; a flanged bottle, an exposed cork and a neck label. *Id.* Likewise, DGI's trade dress is not merely the red and green colors with the holly design, but also includes the configuration and color of the box, the color and details of the stand, in a context in which no brand name is included. This combination of factors does suggest Christmas, but it could also acquire distinctiveness as to the source of the product. DGI's trade dress is not generic.

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1. The court noted that a stylized grape leaf could potentially acquire distinctiveness, but that Kendall-Jackson could not prevent other wineries from using grape leaves in general. *Kendall-Jackson Winery*, 150 F.3d at 1049.

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Defendants next argue that the evidence was insufficient to support the jury's finding of acquired secondary meaning. Because plaintiff's trade dress is not inherently distinctive, in order to be protectible, it must have acquired secondary meaning (also called acquired distinctiveness). *Wal-Mart Stores, Inc.*, 529 U.S. at 210. Secondary meaning exists when, "in the minds of the public, the primary significance of a [design] is to identify the source of the product rather than the product itself." *Id.* at 211. The trade dress must have acquired secondary meaning before the defendants began infringing. *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1358 (9th Cir. 1985) (en bane). Several factors are considered in determining if there is secondary meaning: (1) purchaser perception; (2) degree and manner of advertising; (3) demonstrated utility of trade dress in increasing sales of product; (4) length of time and exclusivity of use; (5) intentional copying by defendants; (6) evidence of actual confusion. (Jury Instr. No. 16.)

Defendants are correct that DGI presented little or no evidence regarding purchaser perception, degree and manner of advertising, or demonstrated utility of trade dress in increasing sales of the product. However, the evidence presented by DGI on the latter three factors is sufficient to support the jury's finding that DGI's trade dress acquired distinctiveness.

Length of Time and Exclusivity of Use: Defendants assert that length of time and exclusivity of use do not provide any support for the jury's decision because: (1) DGI modified its trade dress over the years; (2) the stands were only displayed seasonally; and (3) the use of the trade dress was not

exclusive. Although the packaging of the stands was modified slightly over the years, since 1993 the DGI stand has been sold in an open-top white box with a display cutout, the box has been decorated with print, and sometimes symbols, in red and green, and the stand has looked the same. (Defs.' Mot. for JNOV at 23.) The only changes defendant cites are small changes to the print on the box and one change to the shape of the cutout on the box. (*Id.* at 23-24.) The heavy duty green stand with red trim, in the open-top, cut-out white box trimmed in red and green has comprised DGI's trade dress for nine years, and for six years before the defendants' stand appeared. Even if the stands were only displayed for several weeks a year at Christmas time, this is a sufficient amount of time, year after year, to support a jury finding in favor of secondary meaning.[2]

As for exclusive use of the trade dress, it appears that DGI was certainly the first to use a white open-top box trimmed with red and green, with a heavy duty green and red tree stand, with contrasting plastic rim. Defendants assert that DGI's use has not been exclusive due to the existence of the Lakewood and Lewis Lifetime Tools stands. But the Lakewood stand and packaging do not have even remotely the same trade dress as DGI's stand, although several elements of the stand are similar.. The Lewis stand, however, is green with red trim and is sold in an open-top white box with red and green trim and a display cut-out. (Pl.'s Trial Ex. 158.) However, differences in the look of the stand itself and the use of a prominent brand name prevent the overall look of the Lewis stand from becoming confusingly similar.

2. It is worth noting that competitive products are also only displayed seasonally.

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DGI's use of its trade dress is exclusive and is probative of secondary meaning.

Intentional Copying by Defendants: "In appropriate circumstances, deliberate copying may suffice to support an inference of secondary meaning." *Fuddruckers v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 844 (9th Cir. 1986). A jury may infer the existence of secondary meaning from a finding of intentional copying, but it need not make this inference, because competitors may intentionally copy product features for many reasons. (*Id.*) "They may, for example, copy wholly functional features that they perceive as lacking any secondary meaning. *Id.* at 844-45. It was lawful for defendants to copy certain of the features the DGI stand. They could offer their own heavy duty pipe stand. However, defendants also copied non-functional elements of plaintiffs' trade dress, and the potential for confusion caused by this similarity was exacerbated by defendants' failure to label the stand or its packaging with a brand name. The jury could have inferred that there was no reason for defendants to make their product and packaging, so similar to plaintiff's, without a prominent brand name, other than an intent to capitalize on DGI's secondary meaning.[3] For this reason, it was permissible for the jury to find that defendants intentionally copied DGI's protectible trade dress.

Defendants assert that the court should have given a proposed instruction about the legitimate purposes of copying

3. Although defendants assert that they did not believe DGI had protectible trade dress, the sometimes arrogant and unhelpful testimony and demeanor of defendants' witnesses may have reasonably led the jury to believe that the defendants were concealing something less innocent about their intent in copying.

and that the court's failure to do so skewed the evidence on secondary meaning. Defendants asked for an instruction stating that competitors may intentionally copy product features for many reasons and that some copying is lawful and not an indication of secondary meaning. The court did not give this instruction, but changed the instruction on copying to state that only copying of "protectible trade dress" is a factor in secondary meaning. (Jury Instr. No. 16.) The court also advised counsel that the was a matter best addressed by them in argument and that the defendant's proposed instruction had an argumentative tone.

While the instruction given is not as explicit as the one defendants requested, it clearly indicates that only copying protectible trade dress is forbidden and that copying purely functional features that are not apart of the trade dress is permissible. Defendants' counsel was free to argue to the jury about defendants' right to copy functional aspects of the stand. He did so at closing argument, although not with the emphasis one would expect, given the importance defendants now try to attach to the issue. (*See* 3/16/03-Tr. at 109:1-17.) There was considerable evidence that defendants intentionally copied plaintiff's protectible trade dress, which is an important factor in showing that the trade dress acquired secondary meaning.

Evidence of Actual Confusion: DGI presented some evidence of actual confusion, although none of it was confusion by consumers. The jury could have inferred from confusion by Home Depot and DGI employees and associates that actual consumers were also confused. Although defendants argue that the testimony about this confusion was

not reliable and that there was conflicting testimony, it is the jury's job to resolve issues of reliability and conflicts in testimony. The evidence concerning the manner of sale, including the use of a single price card and SKU number, as well as the absence of any clear branding, is also probative on this issue.

The jury's finding that plaintiff's stand acquired secondary meaning was supported by sufficient evidence at trial..

C. Likelihood of Confusion

Defendants argue that there was insufficient evidence to find a likelihood of confusion, and they argue that a new trial is required, because of the court's failure to give a proper instruction on copying, in conjunction with Jury instruction 17. Defendants assert that DGI has not shown a likelihood of confusion because DGI did not provide direct evidence of consumer confusion through direct testimony or through a survey. Evidence of actual confusion, however, is only one of eight factors considered in the likelihood of confusion analysis. Survey evidence is not required, although it is persuasive. *Comm. For Idaho's High Desert, Inc. v. Yost*, 92 F.3d 814, 822 (9th Cir. 1996). Many of the other factors weigh strongly in favor of DGI and support the jury's finding of likelihood of confusion. These include: (1) proximity of the goods; (2) similarity of the dress; (3) the marketing channels used; and (4) defendant's intent in selecting the trade dress.

Defendants also argue that because of the Lakewood and Lewis stands, the field of similar trade dress is crowded,

which gives DGI less ability to protect its trade dress. *See Miss World (UK) Ltd. v. Mrs. America Pageants, Inc.*, 856 F.2d 1445, 1449 (9th Cir. 1988) ("A mark which is hemmed in on all sides by similar marks on similar goods cannot be very distinctive. It is merely one of a crowd of marks. In such a crowd, customers will not likely be confused between any two of the crowd and may have learned to carefully pick out one from the other.") (abrogated on other grounds as recognized by *Eclipse Associates Ltd. v. Data General Corp.*, 894 F.2d 1114 (9th Cir. 1990)). This is an argument for the jury to weigh. But only a few similar stands were identified at trial, and most of those have distinctive overall appearances.

Defendants object to Section Four of Instruction 17 which states that "deliberately adopt[ing] trade dress similar to a competitor's with a view to obtain some advantage from the goodwill . . . is strong evidence that actual confusion resulted." Defendants also object to Section Five, which states that "[k]nowing use of plaintiff's protectible trade dress to identify similar goods may suggest likelihood of confusion." As above, defendants argue that without an additional instruction on the permissibility of copying functional features, these instructions caused them prejudiced. Both instructions, however, are consistent with the law. *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 359 F.2d 156, 158 (9th Cir. 1966); Ninth Cir. Model Jury Instr. 18.15. Both instructions also clarify that it is copying of protected trade dress, not functional product features that suggests likelihood of confusion.

Defendants further argue that the damage caused by Instruction 17 was compounded by the court's ruling that defendants could not tell the jury of the summary judgment ruling on patent infringement and the court's findings on functionality in that ruling. This argument is not at all persuasive. The jury would surely have been perplexed by introduction of the court's ruling on the patent claim. Other instructions provided explanations of what makes trade dress protectible, and the jury instructions stated that it was only copying of protectible trade dress that created a likelihood of confusion. The court finds that both the instructions and in limine rulings were appropriate.

Defendants further argue that evidence of defendants' 2001 and 2002 stands should have been excluded, as requested in the motions in limine, or that defendants' Rule 50 motion should have been granted on non-infringement of those most recent stands, which they argue were significantly different.[4] Despite the differences in the later stands, many elements of DGI's trade dress are still present, and the jury found that the 2001-02 stands also infringed. Although a closer call, the evidence supports the jury's finding that the 2001-02 stands infringed DGI's stands, especially given the lack of a prominent brand name on the 2001-02 stands and packaging.

There was sufficient evidence at trial for the jury to find that defendants' stands created a likelihood of confusion with plaintiff's stands.

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4. Neither defendants' Rule 50(a) or (b) motion argues that the motion should be granted specifically as to the 2001-02 stand. Instead, the motions argue generally that there is no evidence of customer confusion.

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D. Compensatory Damages

Defendants argue that the evidence at trial was insufficient to support the amount of actual damages awarded, because the damages exceed the amount of DGI's asserted lost profits and also exceed the total revenue derived from retail sales of all the accused stands. (Defs.' Mot. for New Trial at 17-18.) DGI argues that the excess amounts are likely an award for loss of DGI's goodwill and reputation due to defendants' infringement, which was permitted under Jury Instruction 21. (Pl.'s Opp'n to Mot. for New Trial at 18.) Under DGI's theory, $1,423,339 of the $2,154,000 damages award is attributable to goodwill. Defendants argue that no evidence presented at trial supports damages for loss of goodwill and reputation.

DGI argues that due to evidence of the many defects found in the infringing stands, the jury could have concluded that DGI's reputation and goodwill were damaged by defendants' defective stands. DGI argues that the jury was entitled to infer from the number of defective stands that customers would associate those defects with DGI's stands and be less inclined to buy DGI's stands or other DGI products. Plaintiff argues that the jury could then conclude that defendants' infringement caused DGI to lose goodwill and reputation, and award damages based on that loss.

Although there was some slight evidence at trial that could conceivably support a general finding of loss of goodwill, plaintiff did not present any evidence to establish the value of its goodwill or the amount of loss of goodwill. "Trademark remedies are guided by tort law principles. As a

general rule, damages which result from a tort must be established with reasonable certainty. The Supreme Court has held that '[d]amages are not rendered uncertain because they cannot be calculated with absolute exactness,' yet, a reasonable basis for computation must exist. Many courts have denied a monetary award in infringement cases when damages are remote and speculative." *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 982 F.2d 1400, 1417-08 (9th Cir. 1993) (internal citations omitted) (citing *Eastman Kodak Co. v. S. Photo Materials Co.*, 273 U.S. 359, 379, 47 S.Ct. 400, 405 (1927). The leading treatise notes that federal courts have looked to Supreme Court rulings in antitrust cases to determine the standard of proof for damages in trademark litigation. *McCarthy on Trademark*, § 30:76. In such an antitrust case, the Court noted that its "willingness to accept a degree of uncertainty in these cases rests in part on the difficulty of ascertaining business damages as compared, for example, to damages resulting from a personal injury or from condemnation of a parcel of land. The vagaries of the marketplace usually deny us sure knowledge of what plaintiff's situation would have been in the absence of the defendant's antitrust violation." *J. Truett Payne Co., Inc. v. Chrysler Motors Corp.*, 451 U.S. 557, 566, 101 S.Ct. 1923, 1929 (1982).

Although a degree of uncertainty would be acceptable in calculating something as amorphous as lost goodwill and reputation, there is a difference between uncertainty and pure speculation. Here, the jury had insufficient evidence on which to make a reasonable calculation of lost goodwill to return a verdict with such a large sum attributable to goodwill. Plaintiff's counsel never requested such a sizeable award for

loss of goodwill. If the damages above plaintiff's lost profits are for lost goodwill, as plaintiff hypothesizes, the amount awarded must have been speculative and, thus, should be disallowed.

Plaintiff makes a second argument in support of the damage award to the effect that the jury could have projected plaintiff's losses through the year 2006 and included those projected losses in the award. If the decrease in DGI's sales stayed the same from 2002 through 2006 (and assuming the losses are due to DGI's infringement), the additional losses DGI would accrue in those future years and the losses DGI asserts it has already sustained would be approximately $2.4 million. (*See* Pl.'s Opp'n to Mot. for New Trial at 23-24.) The jury's award was $2,154,000. However, there is no evidence that this is what the jury actually did, or that DGI's losses would continue at the same rate for the next several years. Again, plaintiff's counsel did not make such a request at trial. In fact, because this suit should eliminate future infringement, there is no logical reason that future losses would continue at the same rate. This theory is not supported by the evidence and does not seem to have been the basis of the verdict.

Because there is no evidence that logically supports the amount of the compensatory damages awarded by the jury, those damages should be reduced to $730,661, which is the amount of actual damages sustained by plaintiff, according to plaintiff's expert. (Pl.'s Trial Ex. 175-8.). *See* Cal. Code Civ. P. § 657(7) ("A new trial shall not be granted upon the ground of . . . excessive . . . damages, unless after weighing the evidence the court is convinced from the entire record,

including reasonable inferences therefrom, that the court or jury clearly should have reached a different verdict or decision.); *Los Angeles Memorial Coliseum Comm'n v. Nat'l Football League*, 791 F.2d 1356, 1360 (9th Cir. 1986) (finding that court "must uphold the jury's finding of the amount of damages unless the amount is grossly excessive or monstrous, clearly not supported by the evidence, or only based on speculation or guesswork") (federal law). The court orders plaintiff either to remit $1,423,339 of the damages award or a new trial on damages will be ordered.

E. Punitive Damages

Defendants finally argue that the punitive damages award is unconstitutional because it is a "grossly excessive or arbitrary punishment."[5] (Defs.' Mot. for New Trial at 18.) Plaintiff asserts that the award was not excessive. Courts reviewing punitive damages are to consider the three *Gore* factors: "(1) the degree of reprehensibility of the defendant's conduct; (2) the disparity between the actual or potential harm suffered by the plaintiff and the punitive damages awarded; and (3) the difference between the punitive damages awarded by the jury and the civil penalties authorized or imposed in comparable cases." *State Farm. Mut. Aut. Ins. Co. v. Campbell*, __ U.S. __. 123 S.Ct. 1513, 1520 (2003) (citing *BMW of North America, Inc. v. Gore*, 517 U.S. 559, 116 S.Ct. 1589 (1996)). The first two factors are relevant here.

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5. The jury awarded $10,000,000 in punitive damages against Home Depot, $350,000 against MAL, and $500,000 against IBC. (Special Verdict Form at 3.)

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Reprehensibility of defendants' conduct is the most important factor. *Id.* at 1521. Courts should consider whether: (1) the harm caused was physical or economic; (2) the tortious conduct evinced an indifference to or reckless disregard of the health or safety of others; (3) the target was financially vulnerable; (4) the conduct involved repeated actions or a single incident; and (5) the harm was the result of intentional malice. *Id.* The Court in *State Farm* noted that the presence of only one of these factors in favor of plaintiff may not be enough to support a punitive damages award, and "the absence of all of them renders any award suspect." *Id.*

Here, some of the factors are in favor of the defendants: the harm was economic, not physical, and defendants did not show reckless disregard for the health or safety of others. On the plaintiff's side, the conduct involved repeated sales over several years, and the jury found that the harm was the result of intentional bad conduct or malice. Whether plaintiff is financially vulnerable is arguable. As a small business, DGI is more vulnerable than a corporation like Home Depot, but it is not as vulnerable as a retired pensioner on a fixed income.

Because the plaintiff is presumed to have been made whole by compensatory damages, punitive damages should only be awarded if defendants' "culpability is so reprehensible as to warrant the imposition of further sanctions to achieve punishment or deterrence." *Id.* The jury made a finding of willfulness and malice and found that an award of punitive damages is appropriate. The court declines to upset the jury's decision that some award of punitive damages is justified. This is a decision within a jury's sound discretion. There

was sufficient evidence that defendants intended to hijack DGI's tree stand — particularly the failure to brand its own stand — at the same time misleading DGI into thinking that Home Depot would continue to make sizeable orders.[6]

The second *Gore* factor, the ratio between the harm or potential harm and the punitive damages award, looks more specifically to whether the amount of damages awarded is appropriate. In *State Farm*, the Supreme Court considered the ratio of punitive damages to compensatory damages in terms of due process. *Id.* at 1524. While the Court declined to impose a bright-line maximum ratio, it stated that "few awards exceeding a single-digit ratio between punitive and compensatory damages, to a significant degree, will satisfy due process." *Id.* (reversing punitive damage award that was 145 times greater than the compensatory damages). The Court also suggested that punitive damage awards more than four times the amount of compensatory damages "might be close to the line of constitutional impropriety." *Id.* The Court noted that one exception to this where "a particularly egregious

6. Defendants also argue that there is no rational relationship between the harm allegedly caused by defendants and the amount of punitive damages. They believe the award shows nothing other than bias against Home Depot based on its large size and wealth. (Defs.' Mot. for New Trial at 22.) Plaintiff responds that considering Home Depot's net worth was proper in determining the appropriate amount of punitive damages to serve as a deterrent. The jury instructions told the jury that it could consider "[t]he amount of punitive damages which will have a deterrent effect on the defendants in light of defendants' financial condition." (Jury Instr. No. 24.) Plaintiff is correct that it is permissible to consider defendants' finances when fashioning a punitive damages award, so long as it is not used to "justify an otherwise unconstitutional punitive damages award." *State Farm*, 123 S.Ct. at 1525.

act has resulted in only a small amount of economic damages." *Id.* (internal quotations omitted). Here, the defendants' conduct was not so reprehensible as to justify an exceptionally large punitive damages award. Furthermore, this is not a case where a punitive damage award is necessary to make the plaintiff whole or take away ill-gotten gains. DGI will receive attorney's fees and disgorgement of defendants' profits under the Lanham Act, in addition to its damages. Thus, defendants will fully compensate DGI for all effects of their infringement, and defendants will be left with no profit or benefit from the infringement.

Moreover, because the court has reduced the compensatory damage award to the amount of lost profits shown by plaintiffs, the amount of the punitive damages awarded against Home Depot must also be reduced to stay within the *State Farm* guidelines. Plaintiff will receive $730,661 in compensatory damages and the punitive damage award against Home Depot is therefore reduced to $2,191,983, which is three times the amount of compensatory damages. That amount is in keeping with the jury's apparent intention to punish defendants for willful infringement, yet constitutional under *State Farm*. The awards against MAL and IBC will remain. $350,000 and $500,000 respectively as those amounts are lower than the compensatory award. Plaintiff is ordered to remit $7,808,017 of the punitive damages award against Home Depot or submit to a new trial on damages if it declines to accept the remission on compensatory damages.

Appendix B

F. Conclusion

Plaintiff shall agree to remit $1,423,339 in compensatory damages and $7,808,017 in punitive damages or the court will order a new trial on damages. Defendants' motion for a new trial is DENIED in all other respects.

II. Defendants' Motion for Judgment Notwithstanding the Verdict

This motion overlaps almost completely with the sections on functionality, secondary meaning, and likelihood of confusion in defendants' motion for a new trial. *See* Section I(A), (B), and (C), *supra*; *see also* Section IV(A), *infra*. Defendants' motion for judgment notwithstanding the verdict is DENIED.

III. Plaintiff's Motion to Amend the Judgment by Augmenting Damages and Profits and Awarding Prejudgment Interest

DGI requests that the court amend the judgment in several ways: (1) treble the damages awarded to DGI or, in the alternative, state that the amount of damages awarded by the jury is appropriate compensation for DGI; (2) increase the amount of profits awarded against Home Depot; (3) increase the amount of profits awarded against MAL, and (4) award pre-judgment interest on DGI's lost profits.

A. Treble Damages

DGI requests that the court treble the damages awarded to DGI or, in the alternative, state that the amount of damages

awarded by the jury is appropriate compensation for DGI. Under the Lanham Act, "[i]n assessing damages the court may enter judgment; according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount." 15 U.S.C. § 1117. The purpose of such an award is to fully compensate, not to punish. The circumstances of this case do not suggest that trebling the damages is appropriate for purposes of compensation. Here, the full amount of damages originally awarded by the jury is not supported by the evidence at trial and is further reduced by the court as explained in Section I(D), *supra*. Furthermore, DGI has been fully compensated because the jury also awarded defendants' profits to DGI. There is no reason to treble the damages to achieve compensation. DGI's motion to treble the damages or uphold the amount of the damages awarded is denied.[7]

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7. Defendants argue in their opposition to plaintiff's motion that plaintiff is not entitled to damages for any pre-complaint acts of infringement. They argue that 15 U.S.C. § 1117 incorporates 15 U.S.C. § 1111, which denies damages or profits to holders of registered marks unless the defendant had actual notice of the registration. Defendants attempt to extrapolate from the requirements of § 1111, which exclusively addresses registered marks, to require notice for unregistered marks and trade dress. They argue that the standard of protection for unregistered trade dress should be lower than that for a registered mark, and so the incorporation of § 1111 into § 1117 impliedly creates a notice requirement for awards of damages or profits under § 1117, even for unregistered trade dress. Accordingly, defendants assert that plaintiff is not entitled to damages for pre-complaint acts of infringement because they did not have notice that plaintiff was asserting a right in its trade dress until the complaint was filed. Although § 1117 is "subject to the provisions

(Cont'd)

Appendix B

B. Home Depot's Profits

DGI requests that the court augment the award of Home Depot's profits, because the amount awarded by the jury is lower than the amount testified to by either Home Depot's or DGI's experts. It appears that the jury may have used some portion of Home Depot's profits to augment the award of DGI's damages. However, that damage award has been reduced to reflect only DGI's damages as stated by DGI's expert; there is no profit component remaining in the damages award. (See Section I(D), *supra*.) For this reason, the award of Home Depot's profits will be augmented to the full amount of profits testified to by Home Depot's expert.[8] DGI is awarded $68,034 for 1999,

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(Cont'd)

of section[] 1111," § 1111 only addresses registered marks and thus is inapplicable to the trade dress claims at issue here. There is no authority for transposing the requirements of § 1111 to claims based on unregistered marks. *See McCarthy on Trademarks* § 19:144 ("Because the § 29 requirement only applies to registered marks, it is, of course, not a limitation on the recovery of damages under a § 43(a) count for infringement of an unregistered."); *Bambu Sales, Inc. v. Sultana Crackers, Inc.*, 683 F.Supp. 899, 912 (E.D.N.Y. 1988) ("With respect to plaintiff's remaining causes of action — under § 43(a) of the Lanham Act, 15 U.S.C. § 1125, and under the common law for unfair competition — the absence of statutory notice has no relevance whatsoever.") Furthermore, the jury's finding that defendants intentionally used plaintiff's trade dress for the purpose of deception or causing consumer confusion, even before the complaint was filed (Special Verdict Form at 2), logically incorporates a finding that defendants had notice of plaintiff's protectible trade dress.

8. There is an undeveloped suggestion in defendants' opposition that plaintiff is only entitled to either its own damages or disgorgement

(Cont'd)

$184,186 for 2000, and $396,923 for 2001-02. (Defs.' Trial Ex ER.) This is a total of $649,143. The Lanham Act permits this kind of adjustment by the court. *See* 15 U.S.C. § 1117.

C. MAL's Profits

DGI asserts that until trial MAL consistently asserted that it was the manufacturer of defendants' stands. The statement of undisputed facts in the pretrial order states that MAL manufactured the stands and further ordered that the undisputed facts may not be contradicted. (10/29/02 Pretrial Order at 4, 5.) DGI asserts that despite the admonition in the pretrial order, defendants introduced evidence at trial suggesting that MAL did not manufacture the stands, but was instead a merchant involved in the sale of the stands to Home Depot.[9] (*See* 5/14/03 Tr. of Mark Lu's Testimony at 8:5-21.) DGI asserts that because

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(Cont'd)

of defendants' profits, but not to both. The Lanham Act provides for both types of damages and does not state that only one may be awarded. 15 U.S.C. § 1117(a). The jury awarded defendants' profits on a finding of willfulness. The award of both damages and defendants' profits is particularly appropriate in the situation here where Home Depot is in the unique position of being both responsible for the manufacture of the infringing product and in control of one of the primary marketing channel for DGI's product. Moreover, defendants did not object to jury instructions on both profits and damages.

9. DGI asserts that defendants changed their position as to MAL's involvement with the stands after the court excluded hearsay evidence of MAL's costs of manufacture in a motion in limine. (2/4/03 Order at 3.) It is defendants' burden under the Lanham Act to show the costs of manufacture after plaintiff has shown defendants' sales.

of this prohibited testimony, the jury determined that MAL had only received a small commission for each stand sold, instead of the profits a manufacturer would receive after costs.

Because MAL introduced evidence that contradicted the undisputed facts in the pretrial order and it appears that the jury based its award of MAL's profits on that evidence,[10] the court will adjust the award of MAL's profits to include the full amount of sales shown by DGI at trial. There will be no adjustment for MAL's costs because no evidence of its costs was presented at trial. 15 U.S.C. §1117 ("In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all, elements of cost or deduction claimed.") The Lanham Act gives the court the authority to make this adjustment. *Id.* ("If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case.") MAL's profits awarded to DGI are amended to include the following amounts: (1) 1999- $66,010; (2) 2000- $250,010; and (3) 2001-02- $505,708. (*See* Pl.'s Trial Ex. 175-9.)[11]

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10. Mark Lu testified that he believed Mutual Allied's commission would be between three and five percent. (5/14/03 Tr. of Mark Lu's Testimony at 8:5-21.) The jury awarded approximately four percent of the sales shown by plaintiff's expert for each year.

11. Defendants assert that plaintiff did not prove whether any of IBC's profits could be attributed to the sale of the accused stands. They assert that this makes the award improper. Plaintiff asserts that there was sufficient evidence that IBC profited from MAL's sales of infringing stands to Home Depot. There was some evidence that MAL paid IBC a commission on its sales in the United States; thus the jury could have reasonably concluded. that IBC profited from the sale of the infringing stands. The jury's award of IBC's profits is upheld.

Appendix B

D. Pre-Judgment Interest

DGI requests prejudgment interest on its award and asserts that it is entitled to $94,701.05 in prejudgment interest under the Lanham Act. DGI also asserts that it is entitled to this amount under California law. Defendants argue that plaintiff is not entitled to prejudgment interest.

In 1984, Congress amended the Lanham Act to give judges the discretion to award prejudgment interest in counterfeit cases. 15 U.S.C. § 1117(b). The Lanham Act is otherwise silent about prejudgment interest. Because Congress specifically allowed prejudgment interest for counterfeiting but did not mention it in relation to other violations, there is the implication that Congress did not intend to permit prejudgment interest for all Lanham Act violations.

Before 15 U.S.C. § 1117(b) was passed, the Supreme Court stated, "[I]n the Lanham Act, Congress meticulously detailed the remedies available to a plaintiff who proves that his valid trademark has been infringed." *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 719, 87 S.Ct. 1404 (1967). The Court then stated, "When a cause of action has been created by a statute which expressly provides the remedies for vindication of the cause, other remedies should not readily be implied." *Id.* at 720 (declining to permit attorney's fees in trademark case). Although the specific holding of *Fleischmann* was later superseded by a Lanham Act amendment permitting attorney's fees, the Court's rationale stands. Plaintiff is not entitled to prejudgment interest under the Lanham Act.

Plaintiff also asserts that it is entitled to prejudgment interest under California law, because the jury found infringement under California common law as well as the Lanham Act. California Civil Code § 3287(a) allows for the collection of prejudgment interest in all causes of action where the damages are "certain, or capable of being made certain by calculation." *Levy-Zentner Co. v. Southern Pac. Transp. Co.*, 142 Cal. Rptr. 1, 23, 74, Cal. App. 3d 762 (1977). Damages are certain or capable of being made certain within § 3287(a) when "there is essentially no dispute between the parties concerning the basis of computation of damages if any are recoverable but where their dispute centers on issue of liability giving rise to damage." *Esaro Cent., Inc. v. General Ins. Co.*, 98 Cal. Rptr. 153, 157, 20 Cal. App. 3d 1054 (1971) (awarding prejudgment interest where dispute was about what damaged building and there was no dispute concerning value of building). Here, the parties have disputed the amount of damages awarded as evidenced by the trial testimony and the post-trial motions. Plaintiff is not entitled to prejudgment interest under California law.

IV. Plaintiff's Motion to Amend Judgment by Including a Finding on the UCL Claim and Issuing a Permanent Injunction

Plaintiff moves to amend the judgment to include the court's findings on DGI's Unfair Competition Law ("UCL") claim and to include a permanent injunction under the Lanham Act and the UCL.

Appendix B

A. UCL Claim.

Before trial, the parties agreed that the UCL claim, brought under Cal. Bus. & Prof. Code §§ 17200 *et seq.*, would be briefed by the parties after trial and decided by the court. (Pl.'s Mot. at 1.) The jury found that defendants' manufacture and sale of the Home Depot tree stands was a violation of both the Lanham Act and the common law. (Special Verdict Form at 1, 2.) Unfair competition is defined in § 17200 as "any unlawful, unfair or fraudulent business act or practice." The court is bound by the jury's fact-finding when considering equitable claims based on the same facts in the same case. *Los Angeles Police Protective League v. Gates*, 995 F.2d 1469, 1473 (9th Cir. 1993) ("[W]here legal claims are tried by a jury and equitable claims are tried by a judge, and the claims are based on the same facts, in deciding the equitable claims the Seventh Amendment requires the trial judge to follow the jury's implicit or explicit factual determinations.") (internal quotations omitted). Therefore, because the jury found that defendants' manufacture and sale of the tree stands violated the Lanham Act and state tort law, those acts were unlawful and also violated the UCL. The court finds that defendants violated Cal. Bus. & Prof. Code §§ 17200 *et seq.* and amends the judgment accordingly.[12]

B. Injunction

Plaintiff further requests that the court enjoin defendants from selling tree stands confusingly similar to DGI's stands,

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12. Defendants' objections that the jury's findings were not supported by sufficient evidence are addressed in Sections I(A), (B), and (C), *supra*.

order defendants to destroy all existing infringing stands, and order defendants to report their compliance to the court and plaintiff. The Lanham Act gives the court "the power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent violation under subsection (a) of section 1125 of this title." 15 U.S.C. § 1116(a). Also, the UCL provides that "[a]ny person who engages, has engaged, or proposes to engage in unfair competition may be enjoined in any court of competent jurisdiction." Cal. Bus. & Prof. Code § 17203. The injunction may be issued "as necessary to prevent the use or employment by any person of any practice which constitutes unfair competition." . . . *Id.* Plaintiff is entitled to an injunction under both the Lanham Act and the UCL.

Plaintiff requests that the court broadly enjoin defendants from selling any tree stand that is "confusingly similar" to DGI's stand. However, given the many differences that already exist between defendants' 2001-02 stands and DGI's stands, the injunction must specify what changes defendants need to make to prevent their stands from infringing. Without specificity, defendants will not have fair notice of what would violate the injunction.

Defendants are enjoined from manufacturing and selling a green and red, heavy-duty pipe tree stand, sold in a white open top box, unless that product and its packaging are clearly labeled with a brand name that is distinct from DGI's and that is associated with Home Depot. The stand itself must not use the identical placement of red and green as DGI's stand and the stand must have some variation in its design, like the curled legs of defendants' 2001-02 stand. Although

Home Depot is unlikely to continue selling DGI's stands after this lawsuit, if that situation somehow arises, defendants are enjoined from selling the Home Depot stand and the DGI stand side by side and under the same SKU number or price card. This injunction does not require defendants to destroy any existing 2001-02 stands or packaging, provided that a conspicuous sticker, stamp, or tag clearly designating a brand name associated with Home Depot is added to the stands and packaging.

Injunctions granted under §1116 of the Lanham Act "may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction." 15 U.S.C. § 1116(a). Plaintiff requests that defendants be required to file a compliance report within thirty days. Because the injunction requires the defendants to take proactive measures that potentially involve decision-making, design, and manufacturing, defendants shall submit a written report explaining their compliance with the injunction within 120 days of the date of this order.

V. Plaintiff's Motion for Attorneys' Fees

Plaintiff DGI moves for an award of its attorneys' fees and related expenses on the ground that this is an "exceptional case" under 15 U.S.C. § 1117(a). It bases this request on the jury's finding that defendants "intentionally used the plaintiff's trade dress for the purpose of deception or causing

consumer confusion . . ." and that defendants were "guilty of malice, oppression, despicable conduct, or fraud." (Special Verdict Form at 2, 3.). Plaintiff asserts that it only seeks recovery of its attorneys' fees connected with its Lanham Act claims, not the patent claims on which defendants prevailed in an earlier stage of litigation. Plaintiff requests a total of $446,895.09 in fees and expenses. (Supp. Chase Decl., Ex. C.)

Awards of attorneys' fees to the prevailing party are permitted under the Lanham Act in "exceptional cases." 15 U.S.C. § 1117(a). "While the term 'exceptional' is not defined in the statute, generally a trademark case is exceptional for purposes of an award of attorneys' fees when the infringement is malicious, fraudulent, deliberate or willful." *Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th Cir. 2000) (internal quotations omitted) (upholding award of attorneys' fees based on jury's finding that defendants willfully infringed trademark). Because a jury finding of malice or willfulness is a sufficient basis for an award of attorneys' fees under the Lanham Act, an award is justified: in this case, where the jury found that defendants were "guilty of malice, oppression, despicable conduct, or fraud." (Special Verdict Form at 3.) *See Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1111-12 (9th Cir. 1992) ("[T]he jury specifically found that the defendants had acted with oppression, fraud, or malice. That finding qualifies this case as an exceptional one within the meaning of [Lanham Act] section 35. The district court was therefore within its discretion in awarding Waits reasonable attorneys' fees.") (false endorsement case under Lanham Act).

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Defendants object that the evidence was insufficient to support the jury's findings of malice and willfulness. As discussed in Section I(E), *supra*, the evidence at trial adequately supported the jury's findings.

Defendants also object that some of the hours of attorney time claimed by plaintiff were spent partially on the patent issue, which was resolved in defendants' favor. Plaintiff asserts that it only seeks recovery of fees spent on Lanham Act claims, not patent claims, and that any included time spent solely on the patent issues was de minimis and cannot be reasonably apportioned. It argues that the extensive experience of patent attorney R. Michael West eliminated the need for any significant patent law research in drafting the complaint, and that the factual issues underlying the trade dress and patent claims were so similar that discovery on the two cannot be reasonably allocated.

A party cannot recover legal fees for non-Lanham Act claims unless the claims are "so intertwined that it is impossible to differentiate between work done on claims." *Gracie v. Gracie*, 217 F.3d 1060, 1069 (9th Cir. 2000). Here, the patent and trade dress claims involved mostly identical facts, which make it virtually impossible to apportion discovery between the two claims. The amount of fees requested by plaintiff is reasonable given the length and complexity of this case. Plaintiff's motion for attorneys' fees is granted in the amount of $446,895.09.

Appendix B

VI. Conclusion

Plaintiff either shall agree to a remission of $1,423,339 in compensatory damages and $7,808,017 in punitive damages against Home Depot or the court will order a new trial on the issue of damages. Defendants' motion for a new trial is DENIED in all other respects.

Defendants' motion for judgment notwithstanding the verdict is DENIED.

Plaintiff's motion to augment the judgment is DENIED in part and GRANTED in part. Plaintiff's damages are not trebled and plaintiff is not entitled to prejudgment interest. However, the award of Home Depot's profits is augmented to $649,143, and the award of MAL's profits is augmented to $821,728; The $24,000 award of IBC's profits is upheld.

Plaintiff's motion to include a finding on the UCL claim and issue a permanent injunction is GRANTED. The court amends the judgment to include a finding that defendants violated Cal. Bus. & Prof. Code §§ 17200 *et seq.*. Defendants are enjoined from manufacturing or selling a tree stand that is confusingly similar to plaintiff's as described in Section IV(B) above. Defendants shall submit a written report under oath explaining their compliance with the injunction within 120 days of the date of this order.

Plaintiff's motion for attorney's fees is GRANTED in the amount of $446,895.09.

Appendix B

The court will hold a status conference on October 1, 2003 at 11:00 A.M. so that the plaintiff can inform the court of its decision.

IT IS SO ORDERED.

Dated: 19 September 2003

s/ David F. Levi
DAVID F. LEVI
United States District Judge

APPENDIX C — MEMORANDUM OF OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF CALIFORNIA FILED SEPTEMBER 3, 2002

IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF CALIFORNIA

CIV-S-01-0284 DFL PAN

DECORATIONS FOR GENERATIONS, INC.,

Plaintiff,

v.

HOME DEPOT USA, INC., MUTUAL ALLIED LTD., INTERNATIONAL BUSINESS CORPORATION, and MARK LU,

Defendants.

MEMORANDUM OF OPINION AND ORDER

Plaintiff Decorations for Generations, Inc. ("DGI") asserts claims for design patent infringement, trade dress infringement, and unfair competition based on the defendants' alleged manufacture and sale of Christmas tree stands which allegedly copy the design and packaging of DGI's patented "Santa's Sturdy Tree Stand" ("SST stand"). Defendants move for summary judgment on all claims. DGI has filed a cross motion for summary judgment on defendants' public use defense.

Appendix C

I. *Facts and Procedural History*

A. *Invention of the SST Stand*

Santa's Sturdy Tree Stand was invented by James Boucher ("Boucher"), the CEO and majority shareholder of DGI. (Defs.' Statement of Undisputed Facts ("SUF") at ¶ 2). Boucher built the original stand from scrap steel parts in December 1998 after becoming frustrated with the quality of the other Christmas tree stands available on the market. (*Id.* at ¶ 3; Boucher Depo. at 14:22-15:23). The stand is aptly named "sturdy" for it is a heavy steel pot welded to a square steel plate 'supported by flat steel legs. That Christmas, Boucher built three stands -- one for his own family and two which he gave away to his father and brother. (Boucher Decl. at ¶ 3).

On January 23, 1990, Boucher filed an application for a design patent on the SST stand. (Defs.' *Markman* Submissions Exh. H). On November 10, 1992, the United States Patent and Trademark Office issued Boucher patent No. 330,875 ("'875 patent") for the "ornamental design of a Christmas tree stand as shown."[1] (Complaint Exh. A). The patent drawings illustrate a tree stand consisting of a cylindrical pot on a square baseplate with a width equal to the pot's diameter. The stand is supported by flat legs welded to the baseplate in an overlapping cross shape with the legs extending from the corners of the baseplate.[2] One of the legs is unbroken and attached directly to the bottom of the

1. Boucher later assigned the '875 patent to DGI. (Pl.'s SUF at ¶ 7).

2. The legs of the stand are illustrated with "tips."

baseplate. The other leg is depicted in two pieces that meet the unbroken leg on a 90 degree angle, thereby providing a single, level plane for the pot to sit on. The stand's pot is pierced near the top edge by four oversized eyebolts placed at equal intervals between the legs. *(Id.)*

B. *Marketing of the SST Stand*

After he invented the SST stand, Boucher and his family ("the Bouchers") started DGI with the goal of creating a business to manufacture and sell the SST stand. (Pl.'s SUF at ¶ 3). To make the SST stand more marketable, the Bouchers made a number of modifications to the original stand, including: (1) painting the stand a custom-blended "Christmas green color," (2) adding a red plastic ring to the top of the stand's pot and red plastic tips to the stand's legs, and (3) marking the stand's pot with an oval reflective mylar label.[3] *(Id.*; Boucher Depo. 17:2-5 & Exh. 13).

The Bouchers also designed an open-topped white cardboard box, decorated in red and green, as the packaging for the SST stand. (Photographs, Pls.' Exh. 1). The box has a cut-out notch in the front to permit customers to touch and see the SST stand as well as side handholds for easy carrying. (Def.'s SUF at ¶¶ 18-19). The SST box is decorated with a red and green stylized holly border, the trade name "Santa's Sturdy Christmas Tree Stand," and DGI's logo embellished with a shooting star design. (Photographs, Pl.'s Exh. 1). The box is also labeled with text stating: (1) "Made in the U.S.A.";

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3. The label is printed with two Christmas trees and "Santa's Sturdy Tree Stand" and "Decorations for Generations" in green.

(2) "All 1/4" Steel"; (3) "Big 7" Capacity"; and (4) "Up to 12 Ft. Tree."[4] *(Id.)*

C. Sales to Home Depot

Beginning in 1993, DGI started selling the SST stand to local and national retailers, including defendant Home Depot, Inc. ("Home Depot"). (Pl.'s SUF at ¶ 8). From 1994 onwards, DGI sold an increasing number of SST stands to Home Depot. *(Id.* at ¶ 9). DGI alleges that its SST stands were popular with Home Depot customers and that Home Depot representatives frequently complimented the SST stands for their consumer appeal and product quality. (Boucher Decl. at ¶ 11).

D. Alleged Patent and Trade Dress Infringement

DGI contends that Home Depot eventually decided to exploit the success of DGI's SST stands by selling an imported steel Christmas tree stand which closely imitated the distinctive design and packaging of the SST stand. DGI alleges that in the spring of 1999, Jim Richardson, Home Depot's import buyer for garden and seasonal items, asked James Lu, the Vice President of defendant International Business Corp. ("IBC") to obtain a price quote for an imported copy of the SST stand. (Pl.'s SUF at ¶¶ 13-14). Lu then shipped a sample of the SST stand to China to defendant

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4. DGI manufactures a 5-inch as well as a 7-inch Christmas tree stand based on the '875 patent design. Both the 5-inch and 7-inch stands are packaged in the same manner. The box for the 5-inch stand states, "Full 5" Capacity - Up to 8 Ft. Tree." (Boucher Depo. Exh. 12).

Mutual Allied, Ltd. ("MAL"). (*Id.* at ¶ 15). DGI asserts that Home Depot accepted MAL's price quote and began selling imported MAL tree stands during the 1999 holiday season.

(1) *1999 Stands*

The design of the first imported MAL stands is disputed. DGI alleges that MAL initially manufactured tree stands that were virtually identical in design to the SST stand. DGI points to a photograph of a sample stand which MAL submitted to a consumer testing lab in Hong Kong for product testing. (Pl.'s SUF at ¶ 16). The photograph accompanying the lab's June 11, 1999 report shows a stand that looks identical to the SST stand ("first stand"). (Pl.'s Exh. 4). Defendants deny that any stands with the design depicted in the photograph were offered for sale in the United States. (Defs.' Reply at 3).

At his deposition, James Lu testified that MAL manufactured stands with a different design for Home Depot in 1999 ("second stand"). (Pl.'s SUF at ¶ 18). Only a mechanical drawing of the second stand's alleged design is available. (Pl.'s Exh. 5). The second stand also has the same fundamental design as the SST stand except for: (1) the placement of the stand's legs at the sides, rather than the corners of the baseplate,[5] (2) the addition of diagonal leg buttresses extending from the stand's legs to the main pot, and (3) the rounded tips on the stand's legs, as opposed to the square leg tips of the SST stand. (*Id.*)

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5. The legs consist of four separate pieces of flat steel that do not touch.

Appendix C

(2) *2000 Stands*

During the 2000 holiday season, Home Depot sold a different version of the MAL stand ("third stand"). The third stand is the same size as DGI's 7-inch SST stand and is painted a similar shade of green. In addition, the third stand also has a red plastic ring at the top of the pot. (Pl.'s Exh. 7). Like the second stand, the four legs of the third stand extend from the sides of the baseplate. However, the legs of the third stand have a distinct scrolled design. The tips of the legs curl up to form diagonal buttresses that reconnect to the pot in a small curlicue design. *(Id.)*

The third MAL stand was packaged similarly to the SST stand in a predominantly white open-topped cardboard box with side handholds, red and green stylized holly decorations, and text stating, "Holds up to 7" Diameter Tree Trunk, l/4" Steel Construction." (Pl.'s SUF at ¶ 30; Pl.'s Exh. 7). Unlike the SST box, however: (1) the holly-pattern on the third stand's box is larger and more prominent, (2) the bottom and two interior sides of the third stand's box are plain cardboard rather than white, and (3) the box is not printed with any brand name, designation of source, or further information concerning the place of manufacture or the maximum height of the tree that can be held in the stand. Moreover, unlike the SST stand, the third stand itself was not separately labeled. (Pl.'s SUF at ¶ 31, Pl.'s Exh. 7).

DGI alleges that Home Depot increased the potential for consumer confusion by displaying the third MAL stand side-by-side with DGI's SST stand at its stores, by selling the MAL stands for the same price, and by displaying both stands

under a single price card with the same Stock Keeping Unit ("SKU") number.[6] (Pl.'s SUF at ¶ 33). DGI also claims that Home Depot engaged in deceptive business practices by reassuring DGI that it would not reduce its order of SST stands for the 2000 holiday season but then later reducing its order by 15,000 to 20,000 stands. *(Id.* at ¶¶ 26-27*)*.

(3) *2001 Stands*

On February 13, 2001, DGI filed this action against MAL, IBC, and Home Depot. In subsequent pleadings, DGI alleges that Home Depot sold both the third MAL stand as well as a new MAL stand with a different design ("fourth stand") during the 2001 holiday season.[7] *(Id.* at ¶ 35). The fourth stand has the same basic design and packaging as the third stand, but a number of changes were made apparently in response to DGI's lawsuit. *(Id.* at ¶ 36). The fourth stand has a different color scheme: the stand is painted bright red with a contrasting green plastic ring at the top of the pot. In addition, the legs of the fourth stand have a more elaborate scrolled design that ends in a large curlicue pattern. (Pl.'s Exh. 8).

Defendants also made several changes to the packaging of the fourth stand. Although the fourth stand is still packaged in a open-topped cardboard box, the box does not have a cut-out notch in the front and is decorated with Christmas

6. DGI contends that the Home Depot price card did not state the brand or manufacturer of the tree stands. (Pl.'s SUF at ¶ 38).

7. Home Depot purchased no SST stands from DGI for the 2001 holiday season.

tree and Christmas ornament designs rather than a holly border. (*Id.*) The text on the box states, "Holds Up to 7" Diameter Tree Trunk, Heavy-Duty Steel Construction." (*Id.*) Like the third stand, the fourth stand itself is unlabeled and the box has no trademark or company name. (Pl.'s SUF at ¶ 38). However, the fourth stand's Universal Product Code ("UPC") price sticker states, "Distributed by: The Home Depot Atlanta, GA 30339." (*Id.*)

E. *The Parties' Motions*

DGI brings three claims against defendants. DGI alleges that all four MAL stand designs infringe its '875 design patent. DGI also claims trade dress protection for the design of the SST stand and its packaging as well as for the combination of distinctive features presented by the packaged stand. Finally, DGI argues that defendants have engaged in unfair competition under Cal. Bus. & Prof. Code § 17200 by: (1) infringing DGI's patent and trade dress, (2) selling the MAL stands under the same SKU number and price code as DGI's SST stands, and (3) offering misleading assurances to the Bouchers of continued SST stand orders.

Defendants move for summary judgment on all claims. Defendants argue that the '875 patent is invalid under 35 U.S.C. § 102(b) because Boucher's stand design was in public use more than one year prior to Boucher's patent application. Defendants also contend that DGI's patent and trade dress infringement claims are barred by the functional nature of the product design and packaging features that DGI seeks to protect. Finally, defendants argue that the MAL stands did not appropriate the novel features of the patented stand

design, a prerequisite to a finding of design patent infringement. DGI has filed a cross-motion for summary judgment on defendants' public use defense, arguing that defendants have failed to establish a prima facie case of public use under § 102(b).

II. *Design Patent Infringement*

Design patents are narrow in scope and protect only the novel, non-functional aspects of the ornamental design shown in the patent drawings.[8] *See Oddzon Prods., Inc. v. Just Toys,* 122 F.3d 1396, 1404-05 (Fed. Cir. 1997); *Elmer v. ICC Fabricating, Inc.,* 67 F.3d 1571, 1577 (Fed. Cir. 1995). "As with utility patents, determining whether a design patent is infringed is a two-step process." *Catalina Lighting, Inc. v. Lamps Plus, Inc.,* 295 F.3d 1277, 1286 (Fed. Cir. 2002). The court must first construe the patent claim to determine its meaning and scope as a matter of law. *See id.*; *Metrokane v. Wine Enthusiast,* 185 F.Supp.2d 321, 326 (S.D.N.Y. 2002). "Next, the fact-finder must compare the [patent] claim and the accused device, employing both the 'ordinary observer' test and the 'point of novelty' test." *Catalina Lighting,* 295 F.3d at 1286. To establish patent infringement, the patent holder must satisfy both tests. *See Contessa Food Prods., Inc. v. Conagra, Inc.,* 282 F.3d 1370, 1377 (Fed. Cir. 2002).

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8. Unlike a utility patent, a design patent consists primarily of various drawings of the proposed design with only a single claim. *See Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co.,* 162 F.3d 1113, 1116 (Fed. Cir. 1998). For example, the '875 patent consists of four drawings of the claimed tree stand design with a single claim stating the patent is for "[t]he ornamental design for a Christmas tree stand, as shown." (Complaint Exh. A).

Appendix C

The ordinary observer test focuses on the overall visual similarity between the patented and accused designs:

> if in the eye of the ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it be the other [the patented design] . . . is infringed.

Oddzon, 122 F.3d at 1405 (quoting *Gorham Co. v. White*, 81 U.S. (14 Wall.) 511, 528 (1871)). Because a design patent only protects the ornamental aspects of the claimed design, to demonstrate infringement the patentee must show that the perceived similarity between the claimed and accused designs is based solely on shared ornamental features. *See id.*; *Elmer v. ICC Fabricating*, 67 F.3d 1571, 1577 (Fed. Cir. 1995). Thus, only the ornamental aspects of the patented design "are pertinent to determinations of infringement . . . [a] device that copies the utilitarian or functional features of a patented design" does not infringe "unless the ornamental aspects are also copied." *Lee v. Dayton-Hudson Corp.*, 838 F.2d 1186, 1188-89 (Fed. Cir. 1988).

By contrast, the point of novelty test for design patent infringement is targeted at the originality of the patented design. To demonstrate infringement, the patent holder must show that the accused design "appropriates the points of novelty that distinguish the patented design from the prior art."[9] *Catalina Lighting*, 295 F.3d at 1286-87. The focus of

9. "The points of novelty relate to differences from prior designs, and are usually determinable based on the prosecution history." *Goodyear Tire*, 162 F.3d at 1118.

the point of novelty test is not on the overall similarity between the claimed and accused designs, but on whether the accused design appropriates the distinct points of novelty protected by the design patent. *See Goodyear,* 162 F.3d at 1118 ("[s]imilarity of overall appearance is an insufficient basis for a finding of infringement, unless the similarity embraces the points of novelty of the patented design").

A. *Claim Construction*

In construing a patent claim, the court must limit itself to the design features depicted in the patent drawings. *See Keystone Retaining Wall Sys. v. Westrock, Inc.*, 997 F.2d 1444, 1450 (Fed. Cir. 1993) ("[a] patented design is defined by the drawings in the patent"); *Oddzon,* 122 F.3d at 1405 (design patent claims must be narrowly construed to capture only the overall ornamental impression of the illustrated design). The Federal Circuit has emphasized that design patent claims do not protect product features such as size, manufacturing materials, or color found in the commercial embodiment of the patented design that are not depicted in the patent drawings. *See Continental Plastic Containers v. Owens Brockway Plastic Prods., Inc.*, 141 F.3d 1073, 1079 (Fed. Cir. 1998); *Sun Hill Indus. v. Easter Unlimited, Inc.*, 48 F.3d 1193, 1196 (Fed. Cir. 1995).

Moreover, "[b]ecause a design patent protects only the novel, ornamental aspects of the design as shown in the patent [drawings] . . . [the] court must identify these aspects in order to construe the scope of protection of the patent." *Metrokane,* 185 F.Supp.2d at 326; *see also Oddzon,* 122 F.3d at 1405. In this case, at the parties' request, a *Markman* claim construction hearing was conducted on May 17, 2002. The

parties agree that the court should construe the '875 patent as a matter of law by identifying the novel, ornamental features protected by the claimed tree stand design.[10]

(1) *Functional Features*

"In determining the scope of the [design] patent claim, the court must . . . exclude those elements that are merely functional." *Metrokane,* 185 F.Supp.2d at 327. A particular product feature is functional if its presence is dictated by utilitarian considerations relating to the product's manufacture, operation, or purpose, and is not the result of decorative or aesthetic design choices. *See Berry Sterling Corp. v. Prescor Plastics, Inc.,* 122 F.3d 1452 (Fed. Cir. 1997) (the existence of alternative designs is a useful tool in assessing functionality; however the court may also consider whether the patented design "represents the best design [and] whether alternative designs would adversely affect the utility of the specified article"); *Metrokane,* 185 F.Supp.2d at 327 (design features that are logically chosen "for simplicity of manufacture" or which are "an obvious and mechanically

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10. In construing the '875 patent, the court relies on the intrinsic evidence provided by the patent itself and found in the patent's prosecution history. The court has also considered Boucher's deposition testimony where relevant to clarify the scope of the patent claims. *See Hsin Ten Enterprises USA, Inc. v. Clark Enterprises,* 149 F.Supp. 60, 64 (S.D.N.Y. 2001) (in construing a design patent claim, the court may consider extrinsic evidence to resolve ambiguities in the patent claim); *Power Controls Corp. v. Hybrinetics Inc.*, 806 F.2d 234, 238 (Fed. Cir. 1986) (deposition testimony of inventor is relevant to questions of functionality); *Fire Star Manufacturing. Inc. v. Ramp Lite Manufacturing, Inc.*, 14 F.Supp.2d 1228, 1231-32 (D. Kan. 1998) (same).

practical choice from a limited number of alternative" designs are functional); *Tyco Indus., Inc. v. Tiny Love, Ltd.*, 914 F.Supp. 1068, 1077-78 (D.N.J. 1996) (features that affect "the function, cost, or efficiency" of a product are functional).

In this case, Boucher, the inventor of the SST stand, has consistently indicated in his statements to the PTO during the prosecution of the '875 patent, as well in his later deposition testimony, that each of the claimed stand's features, including the flat design of the legs, the over-sized eyebolts, the size and shape of the cylindrical pot, as well the rubber tips on the legs, serve functional purposes. For example, in an April 1, 1992 amendment to his patent application, Boucher explained that the: (1) stand's "extra deep reservoir provides means for keeping the tree fresh and green longer through more surface contact of water than other stands," (2) the "oversized eyebolts allow more torque and holding strength for stability," and (3) the "vinyl rubber tips on the legs avoid scratching on floors." (April 1, 1992 Amendment, Boucher Depo. Exh. 22).

In addition, at his deposition, Boucher confirmed that the main features of the SST stand were functional, enabling the SST stand to "work better" than other stands. (Boucher Depo. 20:21-21:19). Boucher testified that: (1) the flat design of the stand's legs allowed space for easy vacuuming under the tree stand; (2) the pot's design accommodated different size tree trunks while providing an adequate water reservoir; and (3) the stand's square baseplate is easier and more efficient to manufacture, because a square base can be cut from readily available strips of steel plate with minimal waste. (Boucher Depo. at 21:2-3, 33:1-35:7, 67:10-16, 69:2-14).

Appendix C

DGI argues that the functionality of the SST stand's individual features is not dispositive, because the '875 patent protects the unique configuration of the claimed stand and the way the stand's individual elements are combined into a single design. While a design patent can protect an ornamental combination of otherwise functional elements, it does not protect product configurations that are themselves dictated by functional concerns. *See Lee* 838 F.2d at 1188 (design patent protection does not extend to product configurations "made imperative by the [design] elements which [the product] combines and by the utilitarian purpose of the device . . . [t]o hold that a general configuration made necessary by function must give to a patented design such breadth as to include everything of a similar configuration would . . . subvert the purpose of the [design patent] law, which is to promote the decorative arts") (quoting *Applied Arts Corp. v. Grand Rapids Metalcraft Corp.*, 67 F.2d 428, 430 (6th Cir. 1933)).

The prosecution history and Boucher's later testimony demonstrate not only that the patented design's individual features are functional, but also that the specific arrangement of those features, creating the stand's overall appearance, was guided by functional rather than ornamental considerations. In his patent application Boucher stressed the durability and stability of his stand design. He explained that the stand is "made of high quality durable steel that will enable the user to stand his/her Christmas tree without it falling over, the legs of the stand bending, and/or without the need for additional anchoring once the tree is in place.[11]

11. Although the '875 patent does not specify that the illustrated tree stand is to be constructed out of steel, much of Boucher's design (Cont'd)

(Patent Invention Disclosure at 1, Boucher Depo. Exh. 1). Boucher emphasized that the "unique design and counterbalanced weight" of the stand permits the stand to hold trees of virtually any height without toppling and that the stand was designed so that no assembly would be required. (*Id.*; April 1, 1992 Amendment, Boucher Depo. Exh. 22). Moreover, during his deposition Boucher further explained that the proportion of the stand's design, specifically the ratio between the stand's legs and the weight of the stand, rendered the stand more stable. (Boucher Depo. 21:6-22:11).

The patented stand design is simple, without added adornment or decoration. Its configuration, a basic symmetrical design, is largely dictated by the utilitarian purpose of the tree stand and the need for stability and strength. Boucher's testimony establishes that the overall arrangement of the stand's component parts, the pot, the baseplate, the supporting legs, and the eyebolts for holding the tree serves the functional purposes of creating a durable, balanced, and versatile tree stand that is easy to manufacture.[12]

(Cont'd)
was influenced and dictated by his choice of heavy-duty steel as the stand's manufacturing material, a choice that contributed to the stand's superior strength, durability, and stability. (Boucher Depo. Exhs. 1, 22; Boucher Depo. at 44:19-45:3, 53:14-54:16). Thus, to the extent that alternate tree stand designs based on other materials are available, Boucher's testimony establishes that these alternate designs would adversely affect the utility of the tree stand. (Boucher Depo. at 44:19-45:3, 53:14-54:16).

12. Because modern design often exposes functional elements as part of the design, analyzing the scope of design patent protection (Cont'd)

Appendix C

The only aspects of the `875 patent claim that can be deemed other than "merely functional" are: (1) the relatively narrow shape of the legs, (2) the placement of the legs at the corners of the base offset from the eyebolts at a 45 degree angle, and (3) the decision to employ a small baseplate the same size as the stand's pot. However, as explained below, the majority of these features were disclosed by prior art and therefore fall outside the scope of the protected Patent claim.

(2) *Novelty*

During the prosecution of the `875 design patent, the Patent examiner cited six prior art references, including utility patent no. 4,190,983 for a tree stand issued to Rostomily ("Rostomily patent") and design patent no. 318,634 for the design of a Christmas tree stand issued to Tobin ("Tobin patent"). (Defs.' *Markman* Submissions, Exhs. B, D, H). The combination of narrow legs extending from a cylindrical central pot in a cross shape was specifically disclosed by both the Rostomily and Tobin patents. Moreover, the Rostomily patent also depicts a cylindrical pot on a similarly

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(Cont'd)

can be difficult. *See In re Honeywell,* 497 F.2d 1344 at 1351 (C.C.P.A. 1974) ("[F]unctionality, ornamental appearance, and good industrial design are matters which are closely intermingled. The very best product design has long been called functional design.") (Rich, J., concurring). According to the modern aesthetic, functional designs are frequently appealing and even beautiful. However, when the aesthetic appeal of an article arises primarily from the functional nature of its design, the article's design is not entitled to design patent protection. *See Best Lock Co. v. Ilco Unican Co.*, 94 F.3d 1563, 1566 (Fed. Cir. 1996); *Barofsky v. General Electric Co.*, 396 F.2d 340, 344 (9th Cir. 1968).

sized square baseplate, and the Tobin patent features the same decorative juxtaposition between the stand's legs and the stand's eyebolts at a 45 degree angle that is found in Boucher's design.[13] Thus, the only novel, ornamental feature that distinguishes the '875 patent from the prior art is the placement of the stand's legs at the corners rather than at the sides of the square baseplate.

(3) *Conclusion*

The court therefore construes DGI's '875 design patent as narrowly protecting the illustrated leg configuration with the stand's legs extending diagonally from the corners of a square baseplate at 90 degree angles in a cross shape, the single novel, non-functional feature disclosed in the patent drawings.[14]

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13. It is unclear whether the lack of ornamentation in the DGI's patented stand design could itself qualify for design patent protection as an ornamental design feature under current Federal Circuit law. *See Smith v. M&B Sales and Manufacturing*, 1990 WL 11112 at * 8 (N.D. Cal. Jan. 31, 1990) (recognizing the clean, streamlined look, and absence of decoration can be ornamental). To the extent that the '875 patent claims a stand design marked by the very absence of decorative embellishment, its lack of ornamentality can not be deemed a novel feature protected by the '875 patent. The prior art cited by the patent examiner discloses similar tree stand designs with almost no added ornamentation.

14. The '875 patent does not protect features such as the size of the SST stand, the stand's green color, or the red plastic ring on top of the stand's cylindrical pot. These features are found in the actual SST stands manufactured by DGI but are not claimed in the patent drawings themselves. Defendants' alleged appropriation of these features is therefore properly analyzed only as part of DGI's trade dress claim.

Appendix C

B. *Infringement*

In order to satisfy the ordinary observer and point of novelty tests for design infringement, DGI must demonstrate that the accused MAL stands adopted the distinct leg configuration claimed in the '875 patent. *See Unidynamics Corp. v. Automatic Prods. Int'l Ltd.*, 157 F.3d 1311, 1323 (Fed. Cir. 1998); *Goodyear*, 162 F.3d at 1118. However, this specific leg configuration was only present on the prototype tree stand which MAL submitted for testing in 1999. The legs of the three later MAL stands extend perpendicularly from the sides of the stands' baseplates, and the third and fourth stands adopt a substantially different scrolled leg design. Because DGI has not established that the second, third, and fourth MAL stands infringed the '875 patent by copying the patented design's protected leg configuration, defendants are entitled to summary judgment on DGI's patent infringement claim with regard to the three later MAL stands. In addition, because DGI has presented no evidence that defendants manufactured, imported, or sold any tree stands with the design of the first MAL stand, defendants are also entitled to summary judgment on DGI's patent infringement claim with regard to the first MAL stand.[15]

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15. Because defendants are entitled to summary judgment on DGI's patent infringement claim, the court need not address the parties' cross-motions for summary judgment on the validity of the '875 patent under § 102(b). Moreover, the record on which to decide the issue of public use is inadequate. The Federal Circuit has held that the question of public use must be assessed under a totality of the circumstances test that takes into consideration the overall policies underlying § 102(b). *See, e.g., Netscape Communications Corp. v. Konrad*, 295 F.3d 1315, 1320 (Fed. Cir. 2002); *Tone Bros. Inc. v. Sysco Corp.*, 28 F.3d 1192, 1198 (Fed. Cir. 1994). Here, the

(Cont'd)

Appendix C

III. *Trade Dress*

Under the Lanham Act, trade dress protection extends to more than product packaging. *See* 15 U.S.C. § 1125(a)(l). Trade dress includes the total image or overall appearance of a product, including features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques. *See Two. Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 765 n. 1 (1992); *Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 613 (9th Cir. 1989). To sustain a claim for trade dress infringement, DGI must establish that its claimed trade dress is non-functional. *See Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1258 (9th Cir. 2001). Whether trade dress is functional is a question of fact. *See id.*

"The Ninth Circuit test for functionality looks at a product's trade dress as a whole, considering: (1) whether a particular design yields a utilitarian advantage; (2) whether alternate designs are available to avoid hindering competition; and (3) whether the design achieves economies in manufacture or use." *Interactive Network, Inc. v. WTN Communications, Inc.*, 875 F.Supp. 1398, 1406 (N.D. Cal. 1995) (citing *International Jenson, Inc. v. Metrosound U.S.A., Inc.*, 4 F.3d 819, 823 (9th Cir. 1993); *see also Disc Golf Ass'n, Inc. v. Champion Discs, Inc.*, 158 F.3d 1002, 1006 (9th Cir. 1998). The "[f]unctional features of a product are (the) features which constitute the actual benefit

(Cont'd)

nature, extent, and purpose of the alleged public use remain either disputed or unclear, and the court is unable to apply the totality of the circumstances test.

that the consumer wishes to purchase, as distinguished from an assurance that a particular entity made, sponsored, or endorsed a product." *Leatherman Tool Group, Inc. v. Cooper Indus., Inc.*, 199 F.3d 1009, 1011 (9th Cir. 1999)(quoting *Vuitton et Fils S.A. v. J. Young Enterprises, Inc.*, 644 F.2d 769, 774 (9th Cir. 1981)).

Defendants argue that the different components of DGI's claimed trade dress are functional, including the design of the SST stand, the stand's open-topped box, and DGI's use of a red and green color scheme to evoke a Christmas theme. However, the functionality of trade dress must be assessed as a whole, not by dissecting the trade dress into its separate components. *See, e.g., Clicks Billiards*, 251 F.3d at 1259 ("in evaluating functionality . . . it is crucial that [the court] focus not on the individual elements [of the claimed trade dress], but rather on the overall visual impression that the combination and arrangement of those elements create . . . [trade dress] must be examined as a whole, not by its individual constituent parts").

Moreover, "[t]he fact that individual elements of the trade dress may be functional does not necessarily mean that the trade dress as a whole is functional . . . 'functional elements that are separately unprotectable can be protected together'" as part of the plaintiff's particular claimed trade dress. *Id.*; *see also Interactive Network*, 875 F.Supp. at 1406 ("[a]lthough some of a product's individual features may be functional, the combination of these features may, when analyzed as a whole, be non-functional if it serves to distinguish the product from rival products rather than being necessary to the product's use").

Appendix C

In this case, DGI claims trade dress in the overall visual impression of the packaged SST stand, including features such as the particular shades of red and green used on the stand and its packaging,[16] the red plastic ring on the top of the stand's pot, the open-topped design of the stand's box, the specific type of decorations and text on the stand's box, and the dimensions of packaged SST stand. Defendants have not established that DGI's particular integration and arrangement of the various elements comprising the overall look of the packaged SST stand grants DGI a utilitarian advantage or leaves competitors with an insufficient range of alternative design options. Accordingly, defendants' motion for summary judgment on DGI's trade dress claim is denied.[17]

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16. The general use of red and green in Christmas products may be considered too generic to be protected as trade dress. *See Aromatique v. Gold Seal, Inc.*, 28 F.3d 863, 874 (8th Cir. 1994) (the use of red and green cord to close potpourri bag was not protectable as trade dress "because such colors are traditionally used for products relating to Christmas and are therefore neither distinctive nor nonfunctional"). However, DGI may claim trade dress protection for the particular shades of red and green and the particular color scheme it developed for packaged SST stand.

17. DGI also claims trade dress protection separately for the design of the SST stand itself and for the stand's packaging. Although the basic configuration of the stand is mainly functional, trade dress protection also extends to features such as the stand's color and the placement of the contrasting red ring around the stand's pot. Moreover, the packaging of the SST stand incorporates many elements which can not be deemed purely functional, including the specific arrangement and design of the various decorations and wording on the stand's box. Therefore, DGI is also entitled to pursue trade dress claims with regard to the overall look of the SST stand and the stand's packaging as distinct components.

Appendix C

IV. *Unfair Competition*

California Bus. & Profs. Code § 17200 prohibits "any unlawful, unfair or fraudulent business act or practice." Section 17200 is interpreted broadly and allows lawsuits based on deceptive and unfair business practices "even if not specifically proscribed by some other law." *Cel-Tech Communications, Inc. v. Los Angeles Cellular Telephone, Co.*, 20 Cal.4th 163, 180, 83 Cal.Rtpr.2d 548, 561 (1999). However, "the breadth of § 17200 does not give a plaintiff license to plead around' the absolute bars to relief contained in other possible causes of action by recasting those causes of action as ones for unfair competition." *Glenn K. Jackson v. Roe*, 273 F.3d 1192, 1203 (9th Cir. 2001).

DGI contends that defendants have violated § 17200 by: (1) infringing DGI's design patent and trade dress, (2) reassuring the Bouchers that Home Depot would not reduce its annual order of SST stands, and (3) fostering consumer confusion by selling the MAL stands under the same SKU number and price card as the SST stand. Because DGI has not established design patent infringement, it may not proceed with an unfair competition claim based on defendants' alleged infringement of the '875 design patent. However, as questions of fact remain as to whether defendants' other alleged actions constitute deceptive and unfair business practices under § 17200, summary judgment on DGI's unfair competition claim is denied. *See Films of Distinction, Inc. v. Allegro Film Productions, Inc.*, 12 F.Supp.2d 1068, 1079 (C.D. Cal. 1998)(whether any particular conduct is an unfair business practice within the meaning of § 17200 is a question of fact dependant on the circumstances of each case).

Appendix C

V. *Conclusion*

Defendants' motion for summary judgment on plaintiff's patent infringement claim is GRANTED. Defendants' motion for summary judgment on plaintiff's trade dress and unfair competition claims is DENIED.

IT IS SO ORDERED.

Dated: September 4, 2002

s/_____
DAVID F. LEVI
United States District Judge

APPENDIX D — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DENYING PETITION FOR REHEARING DATED AND FILED JUNE 3, 2005

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

04-1072, -1073, -1091

DECORATIONS FOR GENERATIONS, INC.,

Plaintiff-Cross Appellant,

v.

HOME DEPOT USA, INC.,

Defendant-Appellant,

and

INTERNATIONAL BUSINESS CORPORATION and MUTUAL ALLIED, LTD.,

Defendants-Appellants,

and

MARK LU,

Defendant.

Appendix D

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the CROSS-APPELLANT, and responses thereto having been invited by the court and filed by the APPELLANTS, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and responses having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on June 10, 2005.

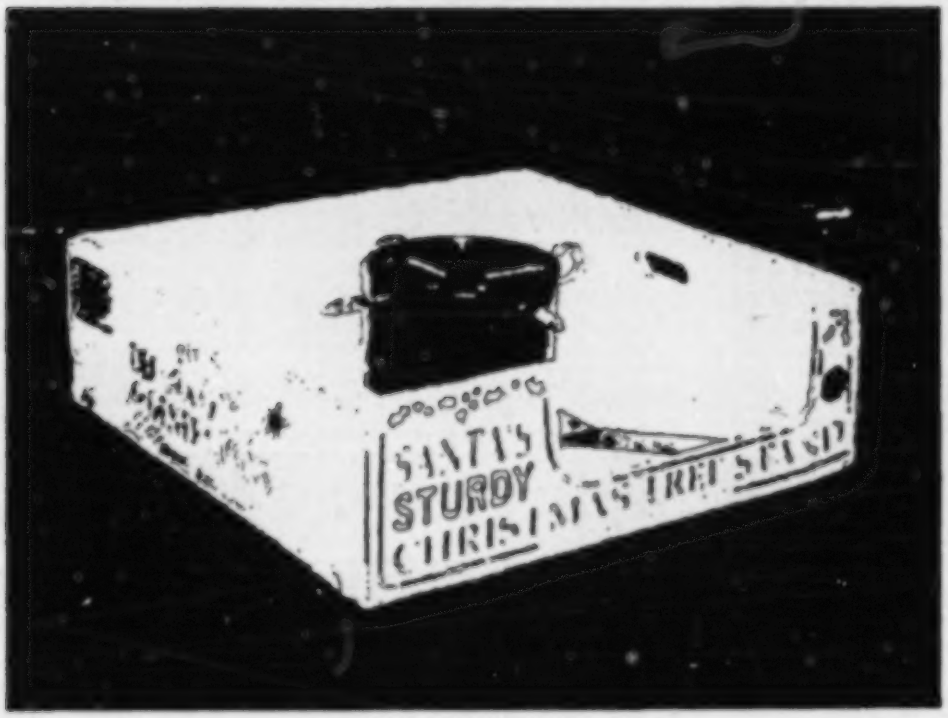
Circuit Judge SCHALL did not participate in the vote.

FOR THE COURT,

s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: June 3, 2005

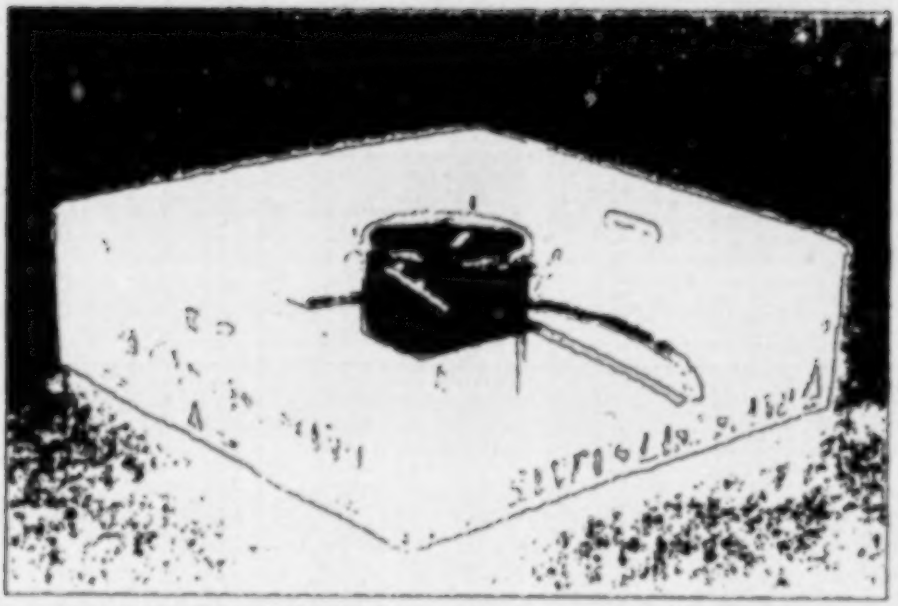
APPENDIX E — PHOTOS AND DRAWING



Appendix E

Appendix E

Appendix E

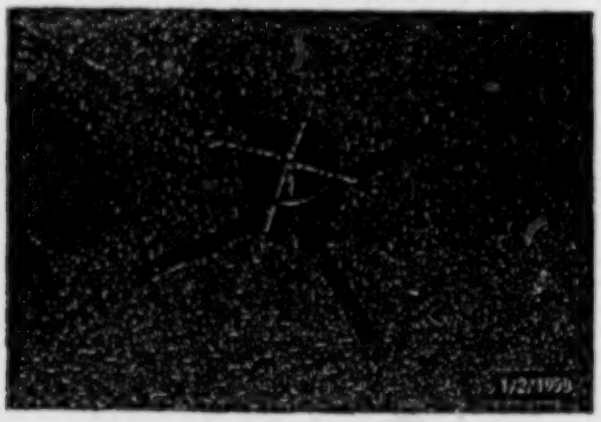


Appendix E

CONSUMER TESTING LABORATORIES (FAR EAST) LTD. Client: The Home Depot

Lab Report No.: 241656

Steel Christmas Tree Stand
Mutual Allied Ltd, Style No. : 86711

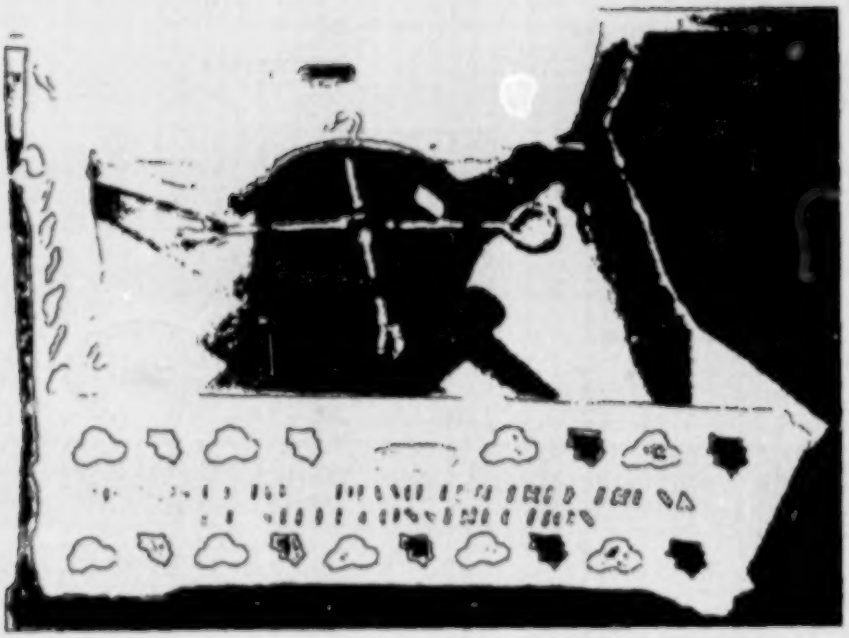


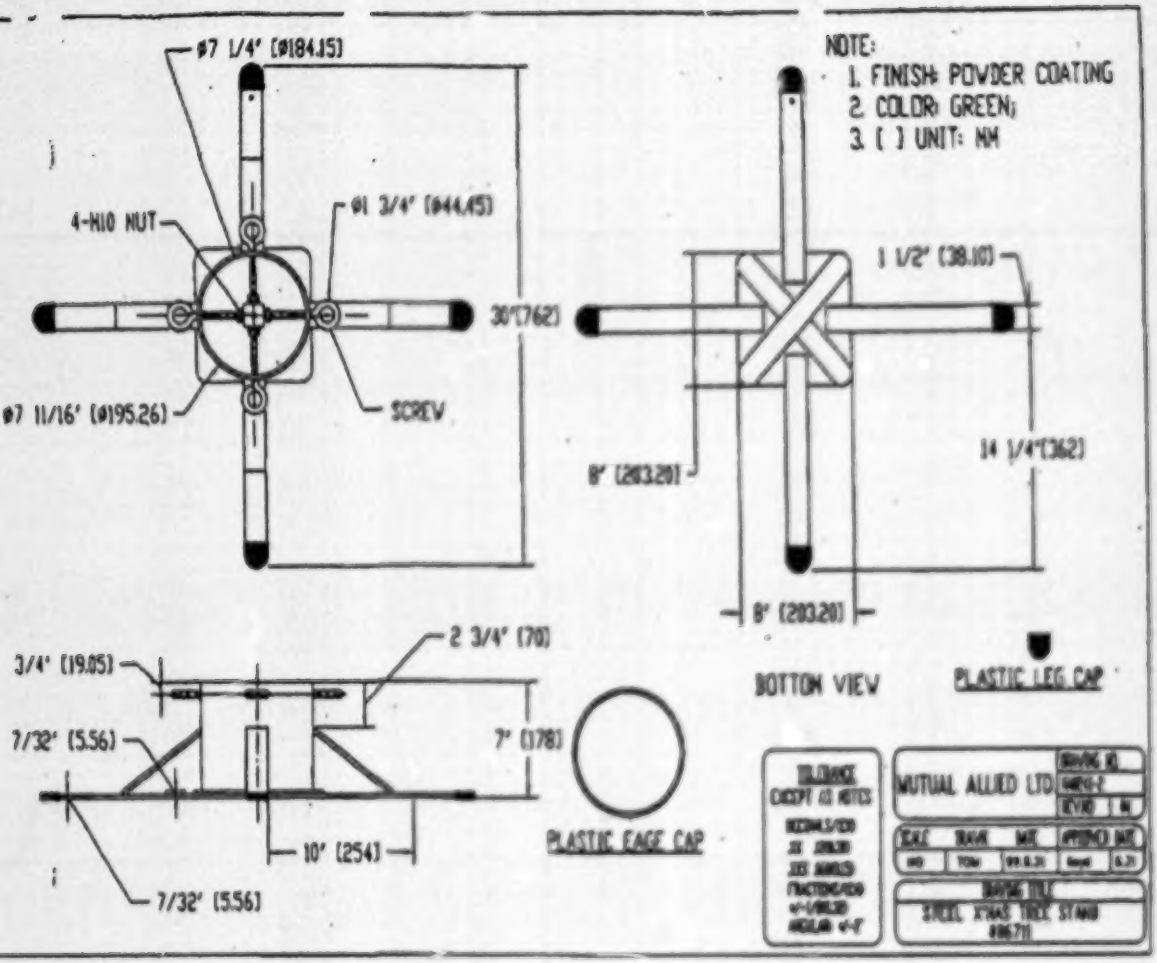
ATTORNEYS-EYES-ONLY
CONFIDENTIAL

TESTED QUALITY

Ex. 68-2

Appendix E





9/1/99

To: Mr. Jim Shirey

Fm: James Lu

This is the correct drawing.

CONFIDENTIAL

Ex. 82-2

2

Supreme Court, U.S.
FILED
NOV 4 - 2005
OFFICE OF THE CLERK

No. 05-310

IN THE

Supreme Court of the United States

DECORATIONS FOR GENERATIONS, INC., *Petitioner,*

v.

HOME DEPOT USA, INC.,

and

INTERNATIONAL BUSINESS CORPORATION and MUTUAL ALLIED, LTD., *Respondents.*

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF IN OPPOSITION FOR RESPONDENTS INTERNATIONAL BUSINESS CORPORATION AND MUTUAL ALLIED, LTD.

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 29.6 of the Rules of this Court, Respondents International Business Corporation and Mutual Allied, Ltd. state the following:

International Business Corporation is a corporation organized under the laws of the State of Georgia and there is no parent company or publicly held company owning 10% or more of the corporation stock.

Mutual Allied is a business entity organized under the laws of China and there is no parent company or publicly held company owning 10% or more of the corporation stock.

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I. RESPONDENTS' OBJECTIONS TO THE QUESTIONS PRESENTED

None of the questions presented by Petitioner show the decision below to be in conflict with the decision of another United States Court of Appeals or a state court of last resort or that the decision has so far departed from the accepted and usual course of judicial proceedings, or sanctioned such a departure by a lower court, as to call for an exercise of the Court's supervisory power. Nor has the decision decided an important question of federal law that has not been, but should be, settled by this Court, or decided an important federal question in a way that conflicts with relevant decisions of this Court. Therefore, the Petition should be denied.

1. Petitioner's first question presented, relating to functionality, is not properly before the Court or due to be reviewed by the Court in as much as the decision below was based on the element of secondary meaning rather than functionality. Specifically, the Federal Circuit held:

> "Because the jury's finding that the DFG tree stand design had established secondary meaning in the minds of consumers was not supported by substantial evidence, we reverse the jury's verdict of trade dress infringement."

(Pet. App. p. 13a). Moreover, the Federal Circuit, in footnote 6 of its opinion, specifically declined to address whether substantial evidence supported the jury's finding that certain aspects of the tree stand are non-functional. (*Id.*). Accordingly, Petitioner's first question presented does not address the holding of the appellate court, and thus presents no issue for review by this Court.

2. This Court has previously decided Petitioner's second question, relating to copying, most recently in *Dastar* wherein this Court repeated its earlier admonition:

> "In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying." *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 29 (2001). .... "The Lanham Act," we have said, "does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity." Id., at 34. Federal trademark law "has no necessary relation to invention or discovery," *Trade-Mark Cases*, 100 U.S. 82, 94 (1879), but rather, by preventing competitors from copying "a source-identifying mark," "reduce[s] the customer's costs of shopping and making purchasing decisions," and "helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product," *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 163–164 (1995) (internal quotation marks and citation omitted).

Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 33-34 (2003). The import of "copying" was properly considered by the Federal Circuit in the instant case where it specifically found that:

> "While there was evidence introduced that supported the conclusion that the defendants had indeed copied utilitarian features of DFG's tree stand, there was no evidence introduced that the defendants intentionally

> copied protected trade dress that had been perceived by consumers as originating from a particular manufacturer."

(Pet. App. 11a-12a). Thus, Petitioner's second question simply asks the Court to review the facts of this case in apparent contravention of Supreme Court Rule 10.

3. The petitioner's third question, whether a retailer's response may be substituted for the consumer's response in the secondary meaning analysis, merely presents a hypothetical question in as much as no retailers were presented with Respondents' goods, which were sold exclusively by Mutual Allied to Home Depot and thence to the consuming public. Further, the evidence does not show any retailer confusion and finally, the cases cited by Petitioner do not support Petitioner's contention that a split of authority has been created as to whether retailer confusion is to be considered in the Secondary Meaning analysis when the retailer is not a member of the *relevant buying* class.

The basis for each of the objections to the questions presented are discussed hereinafter.

II. RESPONDENTS' OBJECTIONS TO PETITIONER'S MISSTATEMENTS OF FACT

Pursuant to Rule 15, Respondents herewith address the perceived misstatements of fact in the petition that bear on what issues properly would be before the Court if certiorari were granted.

The overriding fact that Petitioner has failed to present to this Court is a clear articulation of what evidence the Court of Appeals failed to consider in determining that Petitioner failed to prove secondary meaning in the alleged "Composite Dress." DFG's entire presentation of its case has failed to follow the underlying predicate for a proponent

asserting a protectable interest in a product configuration trade dress, namely articulating the elements that constitute its trade dress. In the context of the secondary meaning analysis, DFG has failed to indicate which features of its Christmas tree stand identify it as the source of the product, rather than a desirable feature for a Christmas tree stand or its packaging.

In light of the foregoing Respondents herewith identify for the Court the perceived misstatements of fact from the Petitioner's Introduction at Pet. p. 1-3.

Petitioner's asserted "custom shade of green" appearing at Pet. p. 1 is incontrovertibly a commercially available stock shade of "Christmas green."

There is no basis in the record for the assertion at Pet. p. 2 that Home Depot or any Respondent either copied any non-functional aspect of the asserted Composite Trade Dress or that Home Depot knew that the asserted Composite Trade Dress was recognized by consumers.

The assertion that the District Court found confusion of "other retailers" at Pet. p. 2 is not supported by the record. In connection with secondary meaning, the District Court stated: "The jury could have inferred from confusion by Home Depot [co-respondent] and DGI [petitioner] employees and associates that actual consumers were confused." (Pet. App. 24a, last paragraph). The only testimony on this issue came from Petitioner's employee and contract salesmen. (Pet. p. 10, at F. first paragraph). No reference to confusion of retailers appears in the record.

Petitioner even conceded to the trial court that the evidence was not presented to support secondary meaning